



# Special Inspector General for Iraq Reconstruction

Quarterly Report to the  
United States Congress

[ April 30, 2013 ]

(Public Laws 108-106 and 95-452, as amended)

# SIGIR Mission Statement

Regarding U.S. relief and reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective:

- oversight and review through comprehensive audits, inspections, and investigations
- advice and recommendations on policies to promote economy, efficiency, and effectiveness
- prevention, detection, and deterrence of fraud, waste, and abuse
- information and analysis to the Congress, the Secretary of State, the Secretary of Defense, and the American people

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The jurisdiction of the Office extends to amounts appropriated or otherwise made available for any fiscal year to the Iraq Relief and Reconstruction Fund, the Iraq Security Forces Fund, the Commander's Emergency Response Program; or for assistance for the reconstruction of Iraq under the Economic Support Fund, the International Narcotics Control and Law Enforcement account, or any other provision of law.

(Section 3001 of Public Law 108-106, as amended)

An outline map of Iraq, showing its international borders and internal provincial boundaries. The map is rendered in a light brown or gold color. The text is overlaid on the map.

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## MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to submit SIGIR's 36th and penultimate Quarterly Report to the U.S. Congress and the Secretaries of State and Defense.

Much has happened since our last report. The Congress provided SIGIR with funding to complete our investigative work, which we expect to do by September 30, 2013. We issued our final lessons-learned report, *Learning From Iraq*, which provides a complete review of the 10-year rebuilding program. Our audit mission concluded with the production of our final audit. And my investigative team secured 8 more convictions and \$12 million more in financial benefits.

I also completed my 34th trip to Iraq, during which I had numerous meetings with Iraqi and U.S. leadership. Of note, transcripts of two interviews I conducted this quarter—one with Dr. Abdul Basit Turki al-Sae'ed, the President of the Board of Supreme Audit and Acting Governor of the Central Bank of Iraq, and the other with Lieutenant General Robert Caslen, the Chief of the Office of Security Cooperation-Iraq—are in Section 1 of this report. Section 2 provides a thorough review of investigative accomplishments since our last Quarterly Report. Section 3 provides a retrospective on select major SIGIR cases to illustrate the nature of oversight in a war zone.

In early April, I appointed Paul Cooksey as the new Deputy Inspector General for SIGIR, upon the retirement of Glenn Furbish. Glenn served nearly eight years with SIGIR, several of which were spent in Baghdad, always providing outstanding results. I also appointed Linda Fields as SIGIR's new Chief of Staff to help manage our closure and transition plan. Linda has served with SIGIR since 2005.

I thank my SIGIR team, including our 21 investigative and SIGPRO staff in the United States and Iraq, who continue to accomplish our mission with professionalism, productivity, and perseverance.

Respectfully submitted,

Stuart W. Bowen, Jr.



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## ACRONYMS

ACRONYM	DEFINITION
AFOSI	U.S. Air Force Office of Special Investigations
BPA	blanket purchase agreement
CBI	Central Bank of Iraq
CID-MPFU	U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit
CMCP	Coalition Munitions Clearance Program
DCIS	Defense Criminal Investigative Service
DFI	Development Fund for Iraq
DoD	Department of Defense
DoJ	Department of Justice
DoS OIG	Department of State Office of Inspector General
DRMO	Defense Reutilization and Marketing Office
FBI	Federal Bureau of Investigation

ACRONYM	DEFINITION
FCC	Freedom Consulting and Catering
FDIC OIG	Federal Deposit Insurance Corporation Office of Inspector General
FERRET	Forensic Evaluation Research and Recovery Enforcement Team
FMF	Foreign Military Financing
FMS	Foreign Military Sales
FOB	forward operating base
ICCTF	International Contract Corruption Task Force
ICE	Immigration and Customs Enforcement
IED	improvised explosive device
IRS-CI	Internal Revenue Service-Criminal Investigation
JOC	Joint Operations Center (ICCTF)
KBR	Kellogg Brown & Root Inc.
MBPD	million barrels per day

ACRONYM	DEFINITION
NCIS	Naval Criminal Investigative Service
OSC-I	Office of Security Cooperation-Iraq
OSV	offshore supply vessel
PFB	Procurement Fraud Branch (U.S. Army Legal Services)
PTD	pretrial diversion program
SIGIR	Special Inspector General for Iraq Reconstruction
SIGPRO	SIGIR Prosecutorial Initiative
SRO	stabilization and reconstruction operation
UAV	unmanned aerial vehicle
USACE	U.S. Army Corps of Engineers
USAID OIG	U.S. Agency for International Development Office of Inspector General
USDA OIG	U.S. Department of Agriculture Office of Inspector General
USPIS	U.S. Postal Inspection Service



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SECTION

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## THE PENULTIMATE REPORT

This was an eventful and productive quarter for SIGIR. The Inspector General completed his 34th trip to Iraq since 2004, SIGIR issued its final lessons-learned and audit reports, and the Congress provided additional funding to allow SIGIR to complete ongoing investigations of criminal activity in the Iraq reconstruction program.

During the Inspector General's recent visit to Baghdad, he met with Prime Minister Nuri al-Maliki, Deputy Prime Minister Hussain al-Shahristani, Council of Representatives Speaker Osama al-Nujaifi, and other senior Iraqi leaders. He had informative engagements with U.S. Ambassador to Iraq Robert Stephen Beecroft, U.S. Agency for International Development (USAID) Mission Director Thomas Staal, and Major General Rick Martin of the Office of Security Cooperation-Iraq (OSC-I). The Inspector General also received updates on SIGIR investigation cases in Iraq.

On March 6, SIGIR issued its ninth and final lessons-learned report, *Learning From Iraq*. This comprehensive study covers the use of \$60 billion appropriated by the Congress for the relief and reconstruction effort, providing a thorough review of 10 years of U.S. rebuilding activities. It concludes with seven final lessons drawn from the Iraq experience.

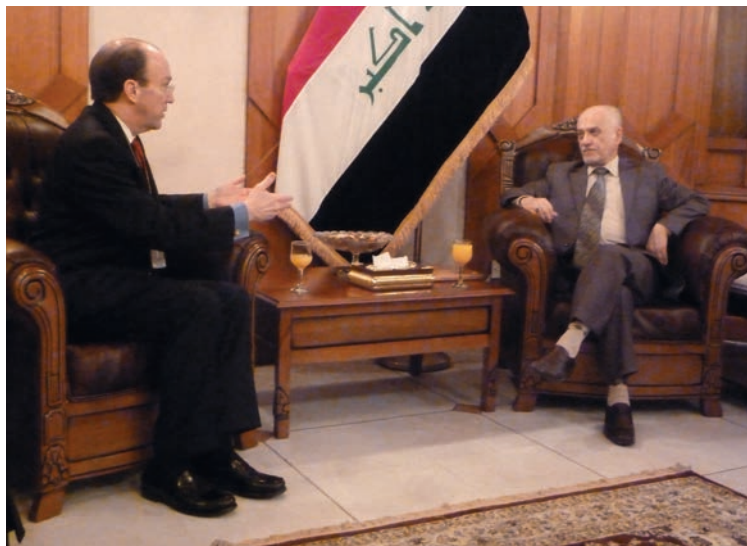
In early March, SIGIR issued the final of its 220 audits produced over the past nine years. The report, entitled "Government Agencies Cannot Fully Identify Projects Financed with Iraq Relief and Reconstruction Funds," examines each of the five major funds that supported the Iraq rebuilding enterprise. Echoing several prior studies, the audit found grave weaknesses in the systems that ostensibly tracked the various agencies' expenditures on programs and projects, concluding that at least \$8 billion of the U.S. money was lost to waste. With the issuance of this final review, SIGIR concluded its audit program,

pursuant to its closure and transition plan.

In late March, the Congress approved funding for SIGIR to continue its investigative work. The extension will allow completion of many of 61 open cases and will permit the SIGIR prosecution team housed at the Department of Justice to obtain more convictions and increase total recoveries. To that end, SIGIR expects to secure at least 20 convictions before the end of the fiscal year and to achieve another \$100 million in court-ordered fines, forfeitures, restitution payments, and other penalties, which would add to the \$192 million in investigative monetary results to date.

In early April, the Inspector General appointed Paul Cooksey as Deputy Inspector General. Previously, Mr. Cooksey had served three years in Baghdad as SIGIR's chief of staff and attaché.

Section 2 of this report describes SIGIR's investigative accomplishments since publication of the October 2012 Quarterly Report, including 7 indictments, 8 convictions, 12 sentencing, and almost \$12 million in monetary results. Section 3 reviews the evolution of SIGIR's investigative operations in Iraq, recapping some of the cases that provided insight into patterns of criminal activity in Iraq and laid the groundwork for innovation in SIGIR's law-enforcement activities.



Inspector General Bowen meets with Iraq's Deputy Prime Minister, Hussain al-Shahristani in March 2013.

## TRIP 34

The Inspector General's late March trip included meetings with senior U.S. and Iraqi leaders. Prime Minister al-Maliki focused on recent Development Fund for Iraq (DFI) work. SIGIR's last report addressing the DFI, issued in late January, concluded that about \$11.7 billion in DFI (Iraqi) money was poorly controlled, with the funds potentially subject to fraud, waste, and abuse. The Prime Minister expressed interest in pursuing recovery of the "lost" DFI money and engaged in a lengthy colloquy with the Inspector General about details related to that possibility. The Inspector General met subsequently with the Prime Minister's Chief of Staff, Dr. Hammid Ahmed, to review the likely challenges and consequences of pursuing such a course of action.

Deputy Prime Minister al-Shahristani discussed expectations for continuing increases in electricity output and reviewed Iraq's plans for its upcoming oil-contract bidding round. In the first two months of 2013, Iraq's crude oil production averaged 2.94 million barrels per day (MBPD), a 13% increase from the same period last year; and exports averaged 2.44 MBPD, a 19% increase. Deputy Prime Minister al-Shahristani also expressed grave concerns about the situation in Syria, voicing fears about the destabilizing effects spilling into Iraq from activities of al-Nusra Front, which has al-Qaeda connections.

Speaker al-Nujaifi echoed complaints about the U.S. use of Iraqi DFI money, particularly in 2003 and 2004. He further offered a dour review of the overall rebuilding program's effects on Iraq. Finally, the Speaker reiterated concerns articulated in previous meetings regarding the collapse of reconciliation efforts in Iraq and the increase in ethnosectarian polarization and consequent violence.

Dr. Abdul Basit Turki al-Sae'ed, the Acting Governor of the Central Bank of Iraq (CBI) and long-standing President of the Board of Supreme Audit, provided revealing insights into his new



Inspector General Bowen meets with Iraqi Council of Representatives Speaker Osama al-Nujaifi in March 2013.

mission at the CBI. He said he discovered, upon acceding to his position at the CBI last October, that Iraq's money-laundering regulations had gone unenforced for the past 10 years. The amount lost to money laundering during that span potentially numbers in the hundreds of billions of dollars. Dr. Basit reported that he was holding down the amount of the bank's daily auctions of dollars, in part, to rein in the money-laundering problem. The Inspector General met again with Dr. Basit on April 20 in Washington, and a transcript of that interview is in this section.

Ambassador Becroft took extended time to visit with the Inspector General during this trip. The Ambassador found much to agree with in *Learning From Iraq's* lessons. Like former Ambassador to Iraq Ryan Crocker, Ambassador Becroft believes that the proposal for a new integrated entity assigned to plan and execute stabilization and reconstruction operations (SROs) makes sense. He acknowledged the continuing need to reduce staffing under Chief of Mission authority from

its current level of about 10,000. He expects that the number will be halved by year's end. Finally, he concurred with the continuing downsizing of U.S.-funded assistance efforts in Iraq, noting that Iraq's 2013 budget of more than \$118 billion (which the Council of Representatives approved on March 7) affords it substantial resources to support the country's ongoing recovery.

USAID's Mission Director Staal outlined the declining U.S. development effort in Iraq. He noted that \$50 million in additional aid was included for FY 2013 but said that none was projected for FY 2014. Thus, USAID's mission in Iraq could close at the end of 2014.

OSC-I Deputy Director Major General Martin provided the Inspector General with a detailed review of the continuing Foreign Military Sales and Foreign Military Financing programs in Iraq. The latter comprises the largest continuing U.S.-funded Iraq assistance effort. The Inspector General subsequently conducted a detailed interview with OSC-I Chief Lieutenant General Robert Caslen. A transcript of that interview is presented in this section.

## LEARNING FROM IRAQ

March 6 marked the release of SIGIR's final comprehensive study of the Iraq program. This book-length review complements SIGIR's 2009 study, *Hard Lessons*, but differs substantially in format. While the latter primarily comprised detailed text that focused on the program's early phases, the new report looks at the entire 10-year effort and includes numerous charts, tables, and photographs. A final element sets the report apart from all other SIGIR reports. Beginning in September 2012, the Inspector General interviewed 17 senior Iraqi leaders, 15 U.S. leaders, and 12 congressional members, asking their views on the effects of the rebuilding effort and what lessons were learned. The interviews, which the report describes in

detail, present an instructive tableau of the Iraq reconstruction effort.

*Learning From Iraq*, available for download at [www.sigir.mil](http://www.sigir.mil), is divided into seven chapters. The first outlines SIGIR's nine years of oversight, highlighting some of its 390 audits and inspections and 82 convictions. The second summarizes the 44 interviews, synthesizing the key points. Chapter three sketches a brief history of the reconstruction program's ad hoc management structures. The fourth chapter spells out the details of the sources of \$60 billion for Iraq. Then follows a chapter on how that massive amount of money was spent, providing numerous examples of programs and projects. The penultimate chapter pieces together U.S. attempts to reform its approach to SROs since 2004, and the final one sets out seven lessons drawn from the experience:

1. Create an integrated civilian-military office to plan, execute, and be accountable for contingency rebuilding activities during stabilization and reconstruction operations.
2. Begin rebuilding only after establishing sufficient security, and focus first on small programs and projects.
3. Ensure full host-country engagement in program and project selection, securing commitments to share costs (possibly through loans) and agreements to sustain completed projects after their transfer.
4. Establish uniform contracting, personnel, and information management systems that all SRO participants use.
5. Require robust oversight of SRO activities from the operation's inception.
6. Preserve and refine programs developed in Iraq, like the Commander's Emergency Response Program and the Provincial Reconstruction Team program, that produced successes when used judiciously.
7. Plan in advance, plan comprehensively and in an integrated fashion, and have backup plans ready to go.

## FINAL AUDIT REPORT

Also on March 6, SIGIR issued its final audit report, which reviewed the use of most of the U.S. money spent during the Iraq rebuilding program. As of September 30, 2012, approximately \$220 billion had been allocated to support Iraq's reconstruction since 2003: about \$145 billion in Iraqi money, about \$60 billion in U.S. money, and about \$14 billion in international donor funding.

SIGIR's final audit examined about \$52 billion in U.S. taxpayer dollars appropriated to the five major rebuilding sources:

- Iraq Relief and Reconstruction Fund (\$20.9 billion)
- Iraq Security Forces Fund (\$20.2 billion)
- Economic Support Fund (\$5.1 billion)
- Commander's Emergency Response Program (\$4.1 billion)
- International Narcotics Control and Law Enforcement account (\$1.3 billion)

The audit concluded the following:

Despite six months of effort in analyzing agencies' data, SIGIR was only able to identify a plurality of the projects funded by the five principal appropriations funds. We found that incomplete and unstandardized databases left us unable to identify the specific use of billions of dollars spent on projects because the U.S. government agencies involved were not required to manage project data in a uniform and comprehensive manner.

While these agencies present broad information on their programs, they did not develop or retain accessible data regarding detailed projects. A full accounting, if ever possible, would require combing through mountains of disordered electronic and paper records accumulated since 2003 that are currently stored in multiple locations across many agencies.

Waste occurred throughout the reconstruction effort. Because of the database problems and other issues associated with operating in a hostile environment, precisely quantifying that waste is difficult. Our inability to account for specific projects, the status of projects, and their use by the Iraqis raises questions about the purpose of the spending and whether waste occurred in its use. Nonetheless, based on the 390 audits and inspections and over 600 investigations conducted by SIGIR's audit, inspection, and investigative staff since 2004, our judgment is that waste would range up to at least 15% of Iraq relief and reconstruction spending, or at least \$8 billion.

## SIGIR EXTENSION

In the Full-Year Continuing Appropriations Act, 2013, which President Obama signed into law on March 26, the U.S. Congress provided SIGIR with \$6 million to complete its remaining investigative work. This funding will permit SIGIR's investigators and prosecutors to bring to conclusion a number of major cases that have been ongoing for several years. The financial results from these cases are expected to be substantial, in the neighborhood of \$100 million.

## IRAQ UPDATE

2013 has been a restive year in Iraq. Reverberations from the continuing conflict in Syria stirred sectarian tensions, as have a number of provocative acts by the Iraqi government. After assaults on and the apparent issuance of an arrest warrant for Minister of Finance Rafi al-Eissawi, the Minister reportedly took refuge in Ramadi at the compound of Sheik Ahmad Abu Risha (a former leader of the "Anbar Awakening," which was supported by the U.S. and Iraqi governments against al-Qaeda in Iraq). Al-Eissawi officially resigned his post on March 1, having been replaced by a Sadrist.

The attacks on Minister al-Eissawi, which began last December, sparked major Sunni public protests in Anbar and other northern provinces. On February 1, tens of thousands of protesters blocked highways in Falluja and Ramadi. Other demonstrations occurred almost every Friday during the first three months of this year. The Government of Iraq regularly suppressed these protests, occasionally in a violent fashion. On January 25, at least five protesters reportedly were shot to death in Falluja. The situation became even more volatile on April 23 when security forces raided an encampment of protesters near Hawijah in Tameem, resulting in at least two dozen fatalities.

The level of sectarian attacks steadily rose this year as Iraq moved toward the April 20 provincial elections. Among the attacks were the following:

- January 3—as many as 27 Shia pilgrims killed by car bomb in Babylon province
- January 16—at least 16 killed by suicide car bomb at Kurdistan Democratic Party office in Kirkuk
- January 23—as many as 42 killed in suicide bombing of Shia funeral at mosque in northern Iraq
- January 25—at least 5 Sunnis killed in Falluja while publicly protesting al-Maliki regime
- February 3—as many as 33 killed by suicide bomber and car bomb in Kirkuk
- February 4—as many as 30 Sons of Iraq members and Iraqi Army soldiers killed by suicide bomber in Taji
- February 8—at least 36 killed in bombings targeting Shia areas in Baghdad, Babylon, and Kerbala
- February 17—at least 37 killed by nine car bombs in Shia neighborhoods of Baghdad
- February 28—at least 18 killed by car bomb and IEDs in northwest Baghdad
- March 14—as many as 30 killed at the Ministry of Justice
- March 19—as many as 80 killed in several provinces, including more than 50 in Baghdad, on the 10th anniversary of the 2003 invasion (al-Qaeda claimed responsibility)
- March 29—as many as 25 Shia worshippers killed by car bombs in Kirkuk and Baghdad
- April 1—as many as 50 killed in Baghdad, Tikrit, and Falluja by bombings and gunfire
- April 6—at least 25 killed in Diyala by suicide bomber attacking an election campaign meeting
- April 12—at least 12 killed in bombing of Sunni mosque near Baghdad
- April 14—at least 10 killed in northern Iraq, including a provincial election candidate in Diyala, the 14th candidate killed this year
- April 15—at least 55 killed by car bombs, IEDs, and gunfire in various locations, including 25–30 in Baghdad
- April 18—at least 26 killed by suicide bomber at Baghdad café
- April 23—as many as 70 killed in northern Iraq, including at least two dozen at a Sunni protest camp in Tameem

Heightened security on April 20, when Iraq held its first elections since the withdrawal of U.S. troops, apparently kept violence in check. According to press reports, a handful of voters were injured by small bomb blasts near polling stations, but no fatalities resulted from these attacks.

The provincial elections, in which more than 8,000 candidates vied for 447 Provincial Council seats, were held in 12 of Iraq's 18 provinces. In addition to the three provinces in the Kurdistan Region, elections did not take place in Tameem, Anbar, and Ninewa. Elections in Tameem (Kirkuk) have been delayed indefinitely because of its “disputed territory” status. The Prime Minister unilaterally postponed the elections in Anbar and Ninewa on March 19, and the Council of Ministers subsequently set July 4 as the date to hold elections in those two provinces.

According to Iraq's Independent High Electoral Commission, 51% of the eligible voters participated in the April 20 elections. Some observers, however, contended that voter turnout was much lower than that. In a statement issued the day after the elections, Ayad Allawi's al-Iraqiya bloc said that security forces took on an “unacceptable role by interfering with and intimidating the citizenry and promoting certain blocs.” Election results had not been announced as of the date this report went to press.

On February 12, Iraq's de-Ba'athification committee, officially known as the Justice and Accountability Commission, unexpectedly removed Chief Justice Medhat al-Mahmoud from his position as head of the Higher Judicial Council, the most senior position in the judiciary. The action stemmed from “new evidence” supplied by the Council of Representatives regarding Judge Medhat's Ba'athist ties under the Saddam Hussein regime. Federal Appeals Court judge Ibrahim al-Humairi was named as his replacement. Judge Medhat has long been a helpful interlocutor for and friend to SIGIR.

## Q&A With the Acting Governor of Iraq's Central Bank

On April 20, the Inspector General sat down with Dr. Abdul Turki al-Sae'ed, the Acting Governor of the CBI and President of the Board of Supreme Audit.

*Could you provide an overview of Iraq's current economic conditions?*

We expect the growth rate during this year to exceed 9%. It is clear that there is a decrease of oil prices in the markets. But it seems that international trade cannot support a decrease to less than \$90 per barrel because it would create a huge problem. The unemployment problem in Iraq will be solved, especially through investment in the private sector. The public sector now is paying salaries for almost 33% of working-age people, either through normal salaries or social security or pensions or other networks of social support. If private investments will not be encouraged, the problem of unemployment will not be solved in any real way. That is why I believe that private investment will solve the problem of unemployment to a great extent, whether from local or foreign investment. Public-sector investment chiefly goes into the large infrastructure reconstruction sectors. This kind of investment creates job opportunities only when it is ongoing. Just a small percentage, for example, goes to training of doctors and new hospitals, or training of teachers and professors and new schools. We are trying to encourage foreign investment in these areas. As you know, foreign oil investment has been the priority. We hope that the security situation and the stability in the region will permit more new investment.

*Can you describe your biggest challenges in your role as the Governor of the Central Bank of Iraq?*

The main task of the bank right now is to extend immunity protection provided to the Development Fund for Iraq. If we get the immunity, everything else will be less risky. We are trying to create a real private banking sector. We are actually building the training center at the bank, and we are trying to link all the banking sectors into an electronic network. We hope that we are going to attract some expertise to the bank's training center. This year the main two challenges for us are banking supervision and the anti-money-laundering campaign. And these are the two subjects on which we are focusing now.

*Would you talk about those two challenges, banking supervision and money laundering?*

First off, in the supervision area, we started restructuring the administrative part of the CBI. We formed working teams from the same departments, and they started a field audit related to the currency-auction files within the private banks. We started to audit the letters-of-credit files and letters of guarantees granted to the private sector and the companies. We started to organize the files of all money-transfer companies and exchange companies within the banking supervision department. We started to establish a complete database related to all these companies and banks. It is expected that in July or September we are going to complete the project, which means reporting all the banks that are not respecting or complying with the conditions of the banking provisions.



As for money laundering, we started to refer all the suspected files in the currency auctions to the anti-money-laundering office in the CBI. We are now submitting a full draft anti-money-laundering law to the Council of Representatives. We have restructured the anti-money-laundering office, and we provided them with new technologies and IT staff. They started to contact the anti-money-laundering offices with the central banks that we have relationships with in Dubai, Amman, and Beirut. We requested that the Americans give us the database they have related to this issue, but they did not give it to us yet. They are supposed to give us technical assistance to combat money laundering, but they apologized that they are not going to do that now. The Department of the Treasury said that it would not grant the technical assistance because the Iraqi anti-money-laundering office is too weak to benefit from it.

*What is the current level of daily auctions at the bank?*

Generally, it is \$150 million to \$200 million daily. Six months ago, it was an average \$280 million to \$300 million per day. In the last month, the exchange rate increased a lot—and it was not only because of the reduction of the amount of currency sold and the currency in the auction. The increase of

the exchange rate was due to the sanctions and penalties imposed by the CBI on the private banks and the intense banking supervision. So if they are not going to get the currency from the bank, they are going to the parallel market to get it for the money laundering and other illegal activities. On April 15, we started to go toward the implementation of letters of credit—encouraged them to do that. I expect that in May and June the exchange rate will be more stabilized. And we expect that we are going to maintain the lower exchange rate to a great extent. We are trying to push the exchange rate to reach 1,189 dinar per dollar because we are asking the banks to sell the dollar for this price.

*What is it now?*

It was an average of 1,270 dinar.

*Let's move on to the state of corruption in Iraq and specifically the corruption-fighting entities. Can you give an overview of the current status of the Board of Supreme Audit (BSA), the inspectors general, and the Commission of Integrity?*

The existence of corruption is a fact, but exaggerating it makes anyone think that any official or public procedure is a corrupted thing or corrupted action. The Commission of Integrity started to follow up on the cases referred to it more seriously. The IG offices are weaker than they were before. Of course, that does not mean all the IG offices are weak; there are some good offices. The proposed plan for the IG system would eliminate most offices but keep them for the major ministries. As for the Board of Supreme Audit, the new law was not activated yet, but it grants the BSA the right to investigate the cases discovered by the BSA and to refer them directly to the judicial system through the proper channels. So the BSA will have duties beyond just auditing. This restores a power that the BSA used to have but was taken away by the CPA in 2003.

*How is Iraq strengthening its anti-money-laundering capacity?*

We are forming a higher committee to oversee the anti-money-laundering

effort, which the CBI Governor would preside over and would include all oversight bodies involved, including the Ministry of Finance, the Higher Judicial Council, and other related bodies within the CBI. The new higher committee will supervise the anti-money-laundering strategy and coordinate the entire effort. It was also proposed to create an anti-money-laundering office to be linked to the BSA. But the opinion of the BSA was to link this office either to the CBI or to the intelligence unit in Iraq because it is related to parties abroad, not only inside Iraq. Some part of this laundered money is returning to us through terrorist acts in Iraq, and addressing this is mainly the duty of the security bodies or security units in Iraq.

*Do you have any sense of the level of money laundering that is occurring today in Iraq?*

Really, I cannot answer that question. We have a number of cases that are referred now, and we are waiting for the results of the investigations.

## Q&A With the OSC-I Chief

On April 13, the Inspector General conducted a detailed interview with Lieutenant General Robert Caslen, Chief of the Office of Security Cooperation-Iraq.

*What's the status of the Foreign Military Sales (FMS) program in Iraq?*

We have 479 separate FMS cases valued at \$14.8 billion: 166 are pending cases valued at \$2.3 billion, 152 are active Iraqi-funded cases valued at \$11 billion, and 161 are closed cases valued at \$1.5 billion. Of the closed cases, 85 were funded with \$750 million from the Iraq Security Forces Fund (U.S. money) and 76 were Iraqi-funded cases valued at \$750 million. We currently have 73 cases in development. OSC-I continues to

push the total-package approach, which is equipment, training, maintenance, and sustainment for each case.

*What about the Foreign Military Financing (FMF) program (involving U.S. funds)?*

We have FMF funding at \$850 million, with \$566 million obligated and \$284 million still available. FMF has been mostly spent on maintenance and contract, logistics, and support cases. This means that the major cases accomplished through the FMF program aim to build Iraq's logistics backbone. We have a case in place right now for the ground forces; others for tanks, the M113, and artillery programs; and another one in place for aviation. There's



one for the Navy, too, and one for radars supporting Iraq's rudimentary air-defense system.

*Has it been difficult to build a culture of sustainment within the Iraqi system?*

Yes, very. It's a cultural issue that we are dealing with. Iraq has a desire to hire somebody to do the maintenance rather



than doing unit maintenance themselves. I'll give you a vignette. When U.S. forces departed in December 2011, they effectively took with them the institutional base that logistically supported the Iraqi Armed Forces. U.S. forces had been the ones making sure everything was operating. About four months ago, I walked into the spare parts warehouse in Taji. That warehouse was beautiful. It had all the shelves intact, with all the spare parts on the shelves. It had all the computers for the automation for the inventory management in place. But when we walked up to the computer screens, they weren't turned on. When we went to the parts on the shelf, we found that they had been sitting there untouched for a year. There was dust on all the parts and dust all over the shelves. They had not ordered a single spare part for the entire year of 2012. They weren't using the automation database we built for them. I said, "How come you aren't using the automation database?" They said, "Because the generators don't work." "Why don't the generators work," I asked? "Because they don't have any fuel," they answered.

*The logistics system broke down after we left.*

That's right. When the U.S. forces left, no one was left to provide the fuel. The U.S. forces were the ones who made sure the generators operated. They were the ones who made sure that the systems were operating. They were the ones looking over the shoulders of Iraqis to make sure they knew what buttons on the computer to press to make sure the parts were ordered. When we left, it all crumbled, and the institutional base of the Iraqi Security Forces started crumbling too—because the U.S. forces had been holding it up.

*What's the lesson learned here?*

Well the lesson learned is that, before

we hand the security mission off to the indigenous forces, we have to ensure the institutional base is up and running. For example, the garrison commands have to be in place providing necessary operations and maintenance services to units assigned to that base. The training bases have to be able to receive, process, train, and provide logistics and maintenance for rotational units that come to the training centers to train at the collective level at higher echelons. And we need to ensure the military education is in place in order to professionalize the force and develop leaders across cohorts and throughout echelons.

Iraq didn't have the resources to sustain what we left. Tikrit Airfield, for example, was run by the United States. We provided the gas for the generators, and the generators ran the control tower, so you had a functioning air-traffic control system. When we left, the generators didn't work—same problem as down in Taji—because no one was cleaning or maintaining them and there was no budget for gasoline. As a result, they were putting in cheap, contaminated gas that quickly broke all the generators. Then some of the aircraft, the T-6 trainers, started getting holes in their wings because no one was sweeping the runways, which was something the United States forces had done.

*Could you give an update on the F-16 FMS case?*

The two F-16 cases are designed to bring 18 aircraft each, with the first delivery of two planes scheduled for September 2014. Two will arrive every month thereafter, completing delivery by the end of 2015. Iraq would like them all today. They have given me a letter requesting acceleration, but they understand that we are accelerating as fast as we can. We were in the process of building the airbase infrastructure

at al-Assad, and then they switched to Balad. That slowed things down. The F-16 cases, from a production standpoint, are on track. Pilot training is on track. We had some hiccups on pilot training—a couple of guys washed out—but we're on track now.

*What are the other substantial FMS cases?*

The tank case involved the purchase of 140 M1A1 Abrams at just under a billion. They want to buy another 175 at about \$1.2 billion. The C130J case is halfway complete, with three delivered and three more to come, at a cost of less than a billion. The Integrated Air Defense System case is under development and could cost about \$2.3 billion, but it will require congressional notification (meaning the Congress could veto it). Also under development is a \$3 billion case to purchase 24 Apache helicopters. Iraq is getting six delivered in about nine months, under a lease arrangement, to use until the full Apache case is completed. That case also involves congressional notification. They want 250 Bradley Fighting Vehicles at a cost of about \$800 million, and the case is under development. Iraq also wants UAVs (drones), but it is also dependent on congressional notification. On the naval front, we have delivered 11 patrol boats, will deliver 1 more this year, are working contracts for 3 more, and have already delivered 2 OSVs (large transport ships).

*What is the status of the OSC-I office?*

This year, our staff will drop to 125 from 165. We are transitioning Balad to the new model (meaning that it will be run by contractors working directly for the Government of Iraq). And all other OSC-I sites will be transitioned by the end of the fiscal year, except the site at the port of Umm Qasr, which will close at the end of the calendar year. Tikrit is transitioning right now. The same

FMS work that's being done now will be done after transition, but the GOI will be paying for contractor life support and security (not the U.S. government). Transitioning support of all these FMS sites will save the U.S. taxpayer about \$450 million a year.

*What's your judgment of the Iraqi military's operational capabilities today?*

Let me just take it in chunks. The Navy is capable of providing some degree of defense against threats to the offshore oil-delivery platforms (such as al-Basrah Oil Terminal). The Iraqi Army's Aviation is a very capable organization, and they are getting better, principally through the purchase of the IA-407 light attack helicopter and the instruction and training that is a part of that case.

The Iraqi Air Force is improving daily. They remain on track for receipt of their first F-16s at Balad in September 2014. And this year they received three C130J aircraft and recently flew a nighttime operational mission to Damascus, repatriating the 50-some slain Syrians who were killed in the Anbar ambush a couple of weeks ago. It was a tough mission under combat conditions, and they did well. They are flying limited RC-208 ISR imagery intelligence missions, yet their targeting and intelligence collection and analysis, other than human intelligence, remains rudimentary at best. The Iraq Air Defense is a good professional force with good leadership, yet other than the two U.S.-provided radars and the three air-traffic-control radars, their defense capability is limited to Saddam-era Russian cannon artillery.

The integrated-air-defense-system case with us is near offer, but currently held up by congressional notification procedures.

The Counter Terrorism Service is probably the most effective element in the Iraqi Security Forces for countering the one threat that is its most existential, and that is al-Qaeda terrorist affiliates. The dilemma is that the Counter Terrorism Service is not part of the Ministry of Defense (MOD); thus, OSC-I needs special authorities to provide it with training and equipment. We have received that authority for FY 2013 in the National Defense Authorization Act, and will need to request it each year. The governing U.S. laws are the Arms Export Control Act and the Foreign Assistance Act, but unfortunately they were designed for security cooperation during the Cold War, rather than threats that exist within today's security environments. So OSC-I finds itself in a Catch-22 dilemma of trying to provide support for the most effective organization fighting the existential threats against the government out here in Iraq.

*What about the Iraqi Army?*

They have one division that deals with external threats. The other divisions are all employed against interior threats. There are not a lot of external threats right now, other than what's spilling across from Syria. Iraq's chief objective, thus, is to defeat internal threats, and most of their ground forces are inside cities trying to deal with them. Now, that creates a dilemma for a number of reasons. One is you have central government forces working in provincial

government jurisdictions, where they are competing not only with the provincial government but also with another ministry, the Ministry of Interior (MOI), which has jurisdiction over Iraq's police forces.

*Iraq has a new border-security command. What are its border-security needs right now?*

The Minister of Defense told me yesterday, "We are in a daily war with overflow and spillover from Syria. We are in a daily war along our Syrian border."

*So they need to improve capacity to strengthen their border-monitoring capabilities.*

Absolutely. But, in order to do an FMF case on that, I need a waiver because I do not have the authority to do it by law. Border security falls under the Ministry of Interior, yet the Arms Export Control Act and Foreign Assistance Act provide the authority to work only with the Ministry of Defense. When we had the Iraq Security Forces Fund authority, this was not a problem. It allowed us to address any security issue, be it at MOD or MOI. Now, under the FMS and FMF, we don't have that flexibility.

*Any other security matters you want to highlight?*

Iraq just went to Russia and, according to open sources, preliminarily signed a \$4.2 billion arms purchase agreement for air and air defense (MIG-35s and SA-22s). Strategically, this is an important message for all of their partners—that they are going to remain autonomous and independent and not going to be tied to any one particular strategic partner. ♦

# INVESTIGATIONS UPDATE

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SECTION

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2

# INVESTIGATIVE ACCOMPLISHMENTS

In 2013, SIGIR will chiefly focus on completing ongoing criminal investigations, prosecuting wrongdoers, and recovering taxpayer dollars.

As of April 30, 2013, SIGIR was managing 61 active investigations. To complete these cases, SIGIR had 12 investigators in offices in Pennsylvania, Florida, Texas, Oklahoma, Missouri, and California; 5 investigative personnel at SIGIR headquarters in Arlington, Virginia; and 1 investigator in Baghdad. These personnel team with counterparts in other U.S. investigative agencies, including:

- U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit
- Defense Criminal Investigative Service
- Federal Bureau of Investigation
- U.S. Department of State Office of Inspector General
- U.S. Agency for International Development Office of the Inspector General
- U.S. Air Force Office of Special Investigations
- Immigration and Customs Enforcement
- Internal Revenue Service-Criminal Investigation
- Naval Criminal Investigative Service
- U.S. Postal Inspection Service
- Federal Deposit Insurance Corporation Office of Inspector General

Currently, 19 defendants in SIGIR cases await trial, with an additional 12 awaiting sentencing.

To date, the work of SIGIR investigators has produced 105 indictments, 83 convictions, 72 sentencing, and more than \$192 million in fines, forfeitures, recoveries, restitution, and other monetary results (see Figure 2.1). For the monetary results of SIGIR investigations, by affiliation of wrongdoer at the time of criminal activity, see Figure 2.2. For SIGIR convictions, by affiliation of wrongdoer, see Figure 2.3. The work of SIGIR

FIGURE 2.1  
SIGIR INVESTIGATIONS CRIMINAL AND MONETARY RESULTS, CUMULATIVE TO DATE, BY FISCAL YEAR

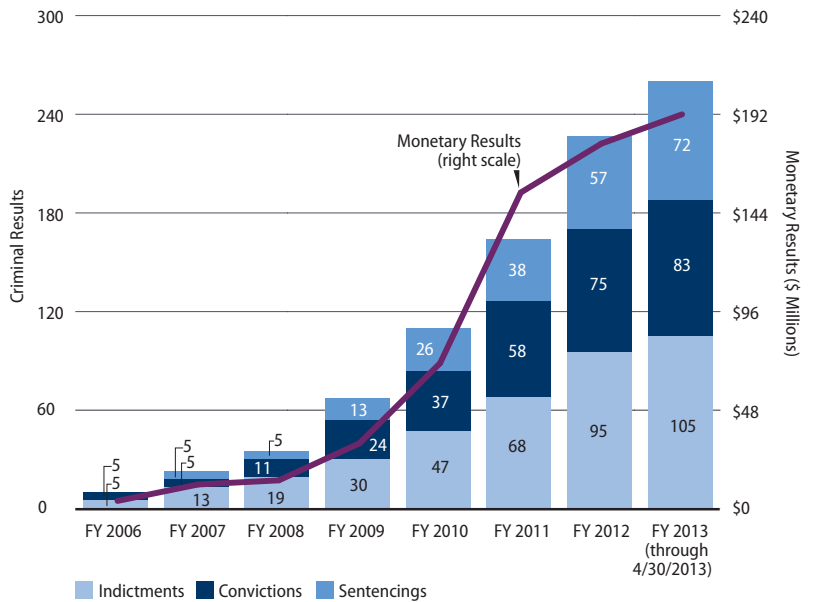
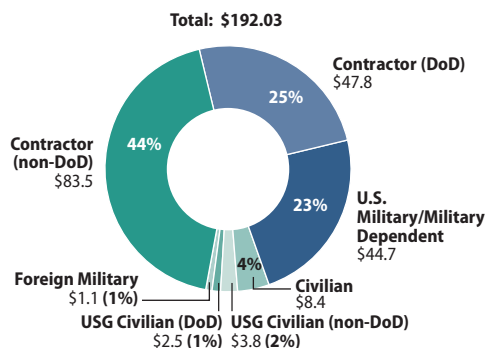


FIGURE 2.2  
SIGIR INVESTIGATIONS MONETARY RESULTS, BY AFFILIATION OF WRONGDOER, AS OF 4/30/2013  
\$ Millions

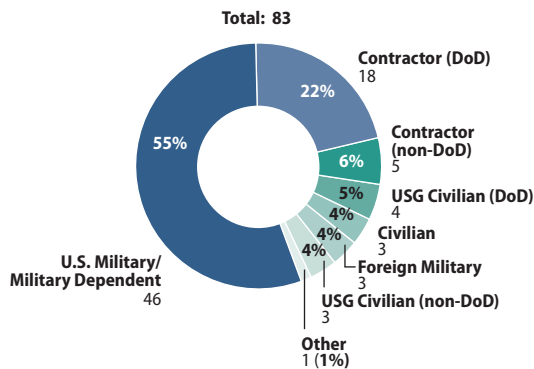


Note: Numbers affected by rounding.

investigators also has led to 105 suspensions of contractors, 167 proposals for debarment, and 115 debarments.

For a comprehensive list of convictions compiled by the Department of Justice (DoJ), see Table 2.5 at the end of this section.

FIGURE 2.3  
**SIGIR CONVICTIONS, BY AFFILIATION OF  
 WRONGDOER, AS OF 4/30/2013**



## ACTIVITY DURING THIS REPORTING PERIOD

Investigative accomplishments since SIGIR’s October 2012 Quarterly Report comprise 7 indictments, 8 convictions, 12 sentencing, and almost \$12 million in fines, forfeitures, recoveries, restitution, and other monetary results (see Tables 2.1 and 2.2). During this period, SIGIR obtained 9 suspensions of contractors, 18 proposals for debarment, and 5 debarments.

### Convictions

Eight convictions occurred or were unsealed this reporting period. Two of the eight individuals were also sentenced.

#### Former KBR Employee Pleads Guilty to and Sentenced for Bribery and Accepting Illegal Gratuities

In a court action unsealed on December 11, 2012, Mohammed Shihaden Amin, a former Kellogg, Brown & Root Inc. (KBR) employee, pled guilty on September 10, 2012, to a criminal information charging him with bribery concerning programs

receiving federal funds. On April 11, 2013, he was sentenced to serve six months in prison, followed by six months of house arrest and three years of supervised release, and ordered to pay \$47,000 in restitution and a \$100 special assessment. He must also perform at least 40 hours of community service during the first year of supervised release.

In mid-October 2011, while working for KBR at Camp Taji in Iraq, Amin began meeting with an Iraqi businessman who expressed interest in obtaining scrap-metal contracts controlled by KBR. Amin told the Iraqi businessman that he could provide him with 120 to 150 vehicles from Camp Taji in exchange for \$8,000 to \$10,000 in cash and \$40,000 to \$50,000 via wire transfer to his personal bank account in the United States. Once those funds were provided, he said he would attempt to bribe contracting officers to ensure that the Iraqi businessman and his company would be selected as the contractor. Amin’s plan was thwarted by law enforcement, and in December 2011, he was arrested.

According to court documents, Amin previously “had a slew of run-ins with law enforcement for committing crimes that, at bottom, arise from dishonesty.... It is clear that the defendant’s run-ins with law enforcement have not deterred his criminal tendencies. To the contrary, for nearly 30 years the defendant’s path has been a revolving door in and out of the criminal justice system, and it does not appear that he ever has been incarcerated for any significant period of time as a result. Thus, in order to deter his criminal conduct in the future, the defendant should be sentenced to a period of incarceration.”

The court records show that Amin had been arrested for burglary in 1983 and sentenced to three years probation. In 1994, he was sentenced to one year in prison for receiving stolen property, but the sentence was suspended. And in 2003, he was convicted of petty theft and ordered to serve three years probation.

The case was prosecuted by the Fraud Section of DoJ’s Criminal Division and the U.S. Attorney’s Office for the Central District of California.

# INVESTIGATIONS UPDATE

TABLE 2.1  
LEGAL ACTIONS IN CASES INVESTIGATED BY SIGIR AND PARTNER AGENCIES, SINCE LAST QUARTERLY REPORT

ACTION	NAME	CRIMES	DATE	INVESTIGATING AGENCIES							
				SIGIR	DCIS	NCIS	ARMY CID-MPFU	FBI	IRS-CI	FDIC- OIG	ICE
<b>Sentencing</b>	Hutchinson co-conspirator	Conspiracy	6/29/2012*	x	x		x	x			
	Ahmed Kazzaz	Conspiracy, kickbacks, wire fraud and mail fraud	10/29/2012	x	x		x	x	x		
	James Momon, Jr.	Bribery, conspiracy	11/13/2012	x	x		x	x	x		
	Daniel Hutchinson	Receiving stolen cash	11/26/2012	x	x		x	x			
	Julio Soto, Jr.	Conspiracy to accept illegal gratuities	12/6/2012	x	x		x				
	Jill Charpia	Providing false statements to a government agency	1/24/2013	x			x		x		
	Richard Evick	Bribery, money laundering	1/28/2013	x	x		x	x	x		
	Crystal Martin	Bribery, money laundering	1/28/2013	x	x		x	x	x		
	Sean O'Brien	Accepting illegal gratuities	4/1/2013	x	x		x				
	Wajdi Birjas	Bribery, money laundering	4/2/2013	x	x		x	x			
	Gregory Light	Tax evasion	4/8/2013	x	x		x		x		
	Mohammed Shihaden Amin	Bribery	4/11/2013	x	x		x	x			
<b>Civil Settlement</b>	APTx Vehicle Systems Limited	Wire fraud conspiracy	12/10/2012	x	x						x
<b>Conviction</b>	Hutchinson co-conspirator	Conspiracy	6/29/2012*	x	x		x	x			
	Mohammed Shihaden Amin	Bribery	9/10/2012*	x	x		x	x			
	Sean O'Brien	Accepting illegal gratuities	11/9/2012	x	x		x				
	Gilbert Mendez	Bribery	12/6/2012	x	x	x	x			x	
	Gregory Light	Tax evasion	12/17/2012	x	x		x		x		
	Ulysses Hicks	Conspiracy to accept illegal gratuities	1/3/2013	x	x		x				
	Ramy Elmerly	Making false statements	4/12/2013	x	x		x	x			
	Richard Gilliland	Bribery	2/20/2013	x							
<b>Indictment</b>	Mohammed Shihaden Amin	Bribery	2/17/2012*	x	x		x	x			
	Hutchinson co-conspirator	Conspiracy	6/29/2012*	x	x		x	x			
	Gregory Light	Tax evasion	11/28/2012	x	x		x		x		
	Ulysses Hicks	Conspiracy to accept illegal gratuities	12/4/2012	x	x		x				
	APTx Vehicle Systems Limited	Wire fraud conspiracy	12/10/2012	x	x						x
	Richard Gilliland	Bribery	1/14/2013	x							
	Ramy Elmerly	Making false statements	2/5/2013	x	x		x	x			

\* Unsealed this reporting period

TABLE 2.2  
SENTENCES IMPOSED IN CASES INVESTIGATED BY SIGIR, SINCE LAST QUARTERLY REPORT

NAME	TIME	MONETARY (\$)				TOTAL
		FINE	RESTITUTION	FORFEITURE	SPECIAL ASSESSMENT	
Hutchinson co-conspirator	pretrial diversion program		12,000			12,000
Ahmed Kazzaz	15 months in prison; 2 years supervised release	15,000	947,585	947,585	1,200	1,911,370
James Momon, Jr.	18 months in prison; 3 years supervised release		5,800,000		300	5,800,300
Daniel Hutchinson	time served in prison; 1 year probation		12,000		100	12,100
Julio Soto, Jr.	5 years probation	5,000	62,542		100	67,642
Jill Charpia	30 months in prison; 3 years supervised release		920,000		100	920,100
Richard Evick	12 months and 1 day in prison			200,000	1,100	201,100
Crystal Martin	5 years probation			200,000	600	200,600
Sean O'Brien	23 months in prison; 3 years supervised release		37,500		200	37,700
Wajdi Birjas	35 months in prison; 3 years supervised release			650,000	200	650,200
Gregory Light	5 years probation, including 1 year of house arrest	3,000	81,886		100	84,986
Mohammed Shihaden Amin	6 months in prison; 6 months house arrest and 3 years supervised release, including 40 hours community service		47,000		100	47,100
<b>Sentencing Total</b>		<b>23,000</b>	<b>7,920,513</b>	<b>1,997,585</b>	<b>4,100</b>	<b>9,945,198</b>
APTx Vehicle Systems Limited				<b>Total Settlement</b>		<b>2,000,000</b>
<b>Grand Total</b>						<b>11,945,198</b>

**U.S. Army Captain Pleads Guilty to and Sentenced for Accepting Illegal Gratuities**

On November 9, 2012, U.S. Army Captain Sean O'Brien pled guilty to a two-count criminal information charging him with accepting illegal gratuities. He was sentenced on April 1, 2013, to 23 months in prison, followed by 3 years of supervised release, and ordered to pay restitution of \$37,500 and a special assessment of \$200.

O'Brien served in Baghdad from mid-2008 to January 2009, working with U.S. government pay agents and Iraqi contractors on U.S.-funded projects. During this time, two Iraqi contractors offered gratuities to O'Brien in exchange for official acts performed in connection with the contracting process. One of the contractors offered gratuities and favors, including approximately \$25,000 in cash payments, in exchange for the captain assisting on an Iraqi construction contract. He was also offered jewelry, a vacation to a private island, and approximately \$10,000 in cash payments in exchange for influence and ability to steer generator contracts to one of the contractors. The direct cash payments

and the value of the jewelry received by O'Brien from the two contractors totaled approximately \$37,500. O'Brien sent the money in envelopes through the mail to his ex-wife in Louisiana.

Additionally, he provided one of the contractors with the login and password information for an email account used by pay agents to receive and review bids, thereby allowing the contractor to review bids submitted by other contractors.

The case was prosecuted by a SIGPRO attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Western District of Oklahoma.

**Marine Staff Sergeant Admits Receiving \$150,000 in Bribes from Military Contractors**

On December 6, 2012, Gilbert Mendez, a staff sergeant in the United States Marine Corps, pled guilty to conspiring to defraud the United States by accepting hundreds of thousands of dollars in payments from companies that received millions of dollars in military contracts in Iraq.

As a warranted contracting officer at Camp

Fallujah from January 2006 to January 2007, Mendez was responsible for awarding and administering contracts for goods and services. Mendez abused his position by obtaining at least \$150,000 in bribes from three foreign-owned military contractors doing business at Camp Fallujah. Mendez received the bribe money either directly or via his friend, Francisco Mungia (who pled guilty in July 2011 and received a four-month prison term in March 2012). Mendez discussed with Mungia ways to bring money into the United States without being detected by military or law-enforcement officials and agreed to deal only in cash in an effort to avoid currency transaction laws. Mendez agreed to share a percentage of the bribe proceeds with Mungia.

Mungia flew from San Diego to New York City on or about March 9, 2006, to pick up a \$28,500 cash payment for Mendez provided by one of the defense contractors. That company also paid Mendez (via Mungia) an additional \$60,000 via international wire transfer for a total of almost \$90,000. During this same time, Mendez awarded that company approximately \$1 million in Department of Defense (DoD) contracts at Camp Fallujah.

Court papers also revealed that, in or about May 2006, Mendez provided Mungia's name and telephone number to a representative of a second defense contractor for the purpose of receiving cash payments. After Mungia gave the representative of the second company his bank account information, \$20,000 was deposited into the account on Mendez's behalf on or about May 30, 2006. During his deployment, Mendez awarded that company approximately \$1,663,000 in DoD contracts.

Finally, in mid-2006, Mendez discussed with Mungia plans to obtain a Cadillac Escalade in lieu of cash from yet another contractor. Due to concerns about appearing to live above his means, Mendez decided to demand a cash payment. Thereafter, the third company (during June 26–July 10, 2006) deposited into Mungia's bank accounts approximately \$50,000 in wire transfers on behalf of Mendez.

Upon receipt of the money from each of the three companies, Mungia deducted his portion and remitted the remainder to Mendez or his designee by cash, money order, or check.

At sentencing scheduled for June 14, 2013, Mendez faces a maximum of 20 years in prison and a \$250,000 fine.

This investigation is ongoing. The case is being prosecuted by the U.S. Attorney's Office for the Southern District of California.

### **Army Lieutenant Colonel Pleads Guilty to and Sentenced for Tax Evasion**

Gregory Light, a former lieutenant colonel in the Kansas Army National Guard, pled guilty on December 17, 2012, to tax evasion in connection with his subcontracting business in Iraq. On April 8, 2013, he was sentenced to 5 years probation, including 12 months of house arrest with electronic monitoring, and ordered to pay restitution of \$81,886, a \$3,000 fine, and a special assessment of \$100.

As a member of the Kansas Army National Guard, Light was deployed to Iraq in 2006 and 2007. Following deployment, he returned to Iraq to work as a subcontractor with his own company, Light-house Consulting. For his services, one contractor wired him a monthly salary, while another paid him in cash. However, Light reported on his tax returns only the salary that was wired to him. With the cash compensation, he bought postal money orders to bring back to the United States when he returned approximately once every three months. He stored the money orders in a safe deposit box and cashed them a little at a time so the bank would not file a report on the transaction.

All told, Light failed to report \$313,781 in income and to pay \$81,886 he owed in income taxes.

The case was prosecuted by the U.S. Attorney's Office for the District of Kansas.

### **U.S. Army Major Pleads Guilty to Defrauding U.S. Government**

On January 3, 2013, U.S. Army Major Ulysses S. Hicks pled guilty to accepting thousands of dollars



in illegal gratuities from contractors while he was deployed to Iraq.

In 2007 and 2008, Hicks was deployed to Forward Operating Base (FOB) Hammer as a field ordering officer, responsible for purchasing miscellaneous items and supplies (such as paint, lumber, and plywood). Hicks and his co-conspirator, former Army Master Sergeant Julio Soto, Jr., unlawfully sought, received, and accepted illegal gratuities for helping Iraqi contractors gain U.S. government contracts related to the construction of a government building at FOB Hammer. Soto and Hicks then purchased U.S. postal money orders with the illegal proceeds and mailed them back to the United States.

At sentencing, Hicks faces a maximum penalty of five years in prison, a fine of \$250,000, and up to three years of supervised release. As part of his plea agreement, Hicks agreed to pay \$65,409 plus interest in restitution to the United States. Soto was sentenced on December 6, 2012, for his role in the conspiracy (see below).

This case is being prosecuted by a SIGPRO attorney on detail to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the District of South Carolina.

#### **Former U.S. Army Staff Sergeant Pleads Guilty to Bribery Scheme**

On February 20, 2013, Richard Gilliland, a former U.S. Army staff sergeant, pled guilty to accepting thousands of dollars in bribes from contractors while he was deployed to Iraq.

From October 2007 through November 2008, Gilliland was assigned as a pay agent in the Civil Affairs Unit at Camp Victory in Iraq and was responsible for paying contractors with U.S. government funds to perform work on civil development projects. Gilliland admitted to receiving approximately \$27,200 and a laptop in bribes from the U.S. representatives of two Iraqi contracting companies in return for his attempt to influence contracts for those firms and his assistance in acquiring used and non-working

generators from the Defense Reutilization and Marketing Office. After receiving the bribes, Gilliland wired the cash payments he received back to the United States.

The case is being prosecuted by a SIGPRO attorney on detail to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Eastern District of Tennessee.

#### **Former U.S. Army Interpreter Pleads Guilty to Making False Statements**

On April 12, 2013, Ramy Elmerly, a former U.S. Army sergeant, pled guilty to a criminal information charging him with making false statements about his financial transactions with an Iraqi contractor. He was arrested on February 5, 2013, based on a criminal complaint filed in U.S. District Court, Alexandria, Virginia.

Elmerly admitted that, while he was stationed in Iraq in 2007, he served as an interpreter in contract negotiations between the U.S. Army and the Iraqi contractor. After returning to the United States in 2008, he asked the Iraqi contractor to pay him \$500,000. At Elmerly's instruction, the contractor began wiring payments to an Egyptian bank account that belonged to Elmerly's brother. Elmerly then opened an Egyptian bank account in his own name and received a payment into that account as well. In total, Elmerly received approximately \$47,000 from the Iraqi contractor.

In 2011, Elmerly applied for a top-secret security clearance in conjunction with a defense-contractor position. In his application, he failed to disclose the relationship with the Iraqi contractor and claimed that he had no foreign bank accounts. In an interview subsequent to submitting the application, Elmerly again failed to disclose the relationship with the Iraqi contractor or the existence of the foreign bank accounts.

Elmerly faces a maximum penalty of five years in prison when he is sentenced. Pursuant to the plea agreement, Elmerly also will forfeit the money he obtained from the Iraqi contractor.

This case is being prosecuted by a SIGPRO attorney on detail to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Eastern District of Virginia.

### **Co-conspirator Placed in Pretrial Diversion Program for Receiving Stolen Cash**

In a court action unsealed this reporting period, the co-conspirator of Daniel Hutchinson, a former U.S. Army sergeant who pled guilty to receiving stolen cash from Iraq, was convicted on June 29, 2012. The co-conspirator was placed in a pretrial diversion program and ordered to pay restitution of \$12,000. The details are discussed in the review of Hutchinson's sentencing below. The case was prosecuted by the U.S. Attorney's Office for the Central District of California.

## **Sentencings**

Twelve individuals convicted as a result of SIGIR investigations have been sentenced since the October 2012 Quarterly Report. Four of them were also convicted during this time and are discussed above.

### **British Subcontractor Sentenced for Conspiring To Defraud U.S. Government**

On October 29, 2012, Ahmed Kazzaz, a British citizen, was sentenced for crimes he committed in connection with the Coalition Munitions Clearance Program (CMCP) in Iraq. Kazzaz had pled guilty to conspiracy, kickbacks, wire fraud, and mail fraud. He was ordered to serve 15 months in prison, followed by 2 years of supervised release; pay a \$15,000 fine and restitution in the amount of \$947,585; forfeit an additional \$947,585; and pay a special assessment of \$1,200.

From 2003 through November 2008, the \$1.58 billion CMCP was responsible for clearing, storing, and disposing of weapons that were seized or abandoned in Iraq. The U.S. Army Corps of Engineers (USACE) Huntsville Engineering and

Support Center managed the program, awarding a \$750 million prime contract for part of this work to Parsons Corporation, an international engineering and construction firm headquartered in Pasadena, California.

During March 2006, Kazzaz entered into a kickback agreement with the contractor's program manager and deputy program manager—Billy Joe Hunt and Gaines Newell—who arranged for the award of subcontracts to Kazzaz and his company, Leadstay, to provide materials, heavy equipment, and equipment operators for the CMCP. In all, Kazzaz paid more than \$947,500 in unlawful kickbacks to Hunt and Newell. In turn, Kazzaz and Leadstay received more than \$23 million in U.S. funds for services under the CMCP.

For their roles in the conspiracy, Newell was sentenced on October 9, 2012, and Hunt was sentenced on October 10. Newell was sentenced to 27 months in prison, followed by 3 years of supervised release, and ordered to pay restitution of \$861,027 to USACE and \$241,088 to the IRS. Hunt was sentenced to 15 months in prison, followed by 3 years of supervised release, and ordered to pay restitution of \$66,212 to the IRS and forfeit \$236,472.

The case was prosecuted by a SIGPRO attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Northern District of Alabama.



Bundles of unexploded munitions in Iraq slated for destruction under the Coalition Munitions Clearance Program in Iraq in 2003. (U.S. Army photo)

### **Former U.S. Army Sergeant Sentenced for Receiving Stolen Cash**

On November 26, 2012, Daniel Hutchinson, a former U.S. Army sergeant, was sentenced to time served after his arrest and one year probation and ordered to pay restitution of \$12,000. The sentencing resulted from a guilty plea to receiving more than \$12,000 in stolen cash from Iraq.

Another U.S. Army soldier deployed to Tallil, Iraq, in 2008, had mailed Hutchinson the money in the United States. The funds came from a cash payment designated for a local contractor who failed to appear for the payment. The Tallil soldier stole the funds, concealed them in a stuffed animal, and mailed them to Hutchinson.

As discussed above, Hutchinson's co-conspirator was placed in a pretrial diversion program and ordered to pay restitution of \$12,000.

The case was prosecuted by the U.S. Attorney's Office for the Central District of California.

### **U.S. Army Master Sergeant Sentenced for Defrauding U.S. Government**

On December 6, 2012, U.S. Army Master Sergeant Julio Soto, Jr., was sentenced to serve five years probation and to pay a fine of \$5,000, a special assessment of \$100, and restitution of \$62,542. The sentencing was the result of Soto's guilty plea on August 29, 2012, to a criminal information charging him with one count of conspiracy to accept illegal gratuities.

When Soto was deployed to FOB Hammer in 2007 and 2008, he and co-conspirator Army Major Ulysses Hicks unlawfully sought, received, and accepted illegal gratuities for helping Iraqi contractors gain U.S. government contracts. They then purchased U.S. postal money orders with the illegal proceeds and mailed them back to the United States.

As discussed above, Hicks pled guilty on January 3, 2013, and awaits sentencing.

This case was prosecuted by a SIGPRO attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the District of South Carolina.

### **Former Co-owner of Contracting Company Sentenced for Defrauding the Government**

On January 24, 2013, Jill Charpia was sentenced to 30 months in prison followed by three years of supervised release and was ordered to pay \$920,000 plus interest in restitution to the United States. The sentencing resulted from Charpia's August 2012 guilty plea to providing false statements to a government agency in connection with Iraq reconstruction government contracts.

In September 2008, when Charpia was a co-owner of Sourcing Specialists, LLC, her company entered into a contract to provide "Business Transition Services" for the DoD Task Force for Business Stability Operations. Specifically, her company was to provide a turnkey housing facility outside Iraq's International Zone for use by multinational firms desiring to develop business opportunities in Iraq.

That same month, Charpia signed and submitted to DoD's Joint Contracting Command-Iraq/Afghanistan a \$1,270,075.50 invoice, purportedly for mobilization costs, which she subsequently backed up with two supporting invoices, one claiming that she had paid \$700,000 for the rental of two villas in Baghdad and the other claiming that she had paid \$570,075.50 for the purchase of three armored vehicles. In October 2008, DoD wired \$1,270,075.50 to Charpia's bank account.

In court, Charpia admitted that she fabricated both supporting invoices and forged the signatures on the documents. She also admitted that she did not purchase any armored vehicles and paid only half the submitted cost for the villas. The \$920,000 in restitution represents the difference between the amount DoD paid Charpia based on the false invoices and the amount she actually paid for the villas.

According to court documents, Charpia previously served in the U.S. Air Force for eight years, during which time she received extensive training in government contracting. After her discharge from the Air Force, but before opening her own business, she accepted a position as an independent contractor assigned to the Joint

Contracting Command-Iraq/Afghanistan operating in Iraq.

This case was prosecuted by a SIGPRO attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Western District of Texas.

### **Former U.S. Army Major Sentenced for Bribery Scheme Related to DoD Contracts**

On November 13, 2012, former U.S. Army Major James Momon, Jr., was sentenced for his role in the criminal conspiracy at Camp Arifjan, Kuwait. Momon pled guilty in August 2008 to two counts of bribery and one count of conspiracy. Based on his extensive cooperation with the U.S. government, he was ordered to serve 18 months in prison, followed by three years of supervised release, and to pay \$5.8 million in restitution.

When he was a contracting official at Camp Arifjan in 2005 and 2006, Momon was involved in a criminal conspiracy to accept cash bribes from multiple DoD contracting firms that supplied goods and services to U.S. military bases. In return, Momon assisted in the award of contracts as well as blanket purchase agreements—contracts that allow DoD to order supplies on an as-needed basis at a pre-negotiated price. Momon agreed to accept approximately \$5.8 million from his co-conspirators as payment for his actions, including \$1.6 million in cash and luxury items.

### **U.S. Army Sergeant and Associate Sentenced in Bribery and Money-laundering Scheme**

On January 28, 2013, U.S. Army Sergeant First Class Richard Evick and Crystal Martin were sentenced for their roles in a bribery and money-laundering scheme at Camp Arifjan. Evick was ordered to serve 12 months and one day in prison on each of 11 counts, to be served concurrently, and ordered to pay a special assessment of \$1,100. Martin was sentenced to five years probation and ordered to pay a special assessment of \$600. The court previously entered a forfeiture order on November 13, 2012, against Evick and Martin in the amount of

### **Spinoffs From the Cockerham Case**

The cases against James Momon, Jr., Richard Evick, Crystal Martin, and Wajdi Birjas all arose out of the investigation into corruption at the Army contracting office at Camp Arifjan, Kuwait, which was the principal supply hub for the Iraq reconstruction program.

The widespread conspiracy began with the actions of former U.S. Army Major John Cockerham, who served as a contracting official in Kuwait in 2004 and 2005. Cockerham solicited and received bribes from DoD contractors in exchange for contracts and BPAs, pled guilty for his role in the conspiracy in February 2008, was ordered to pay \$9 million in restitution, and is serving a 210-month prison sentence. In 2005, Momon took over contracting duties at Camp Arifjan from Cockerham.

To date, the investigation has led to charges against 23 individuals. One of them is still at large; the other 22 have all been convicted. Together, they have been sentenced to 79 years in prison and ordered to pay \$68.4 million in monetary penalties. In addition, 32 individuals and 26 companies have been suspended or debarred from U.S. government contracting.

These cases were prosecuted by the Public Integrity Section of DoJ's Criminal Division.

\$200,000 based on their liability for both the bribery-related convictions (totaling \$150,000) and money-laundering-related convictions (including the \$150,000 bribery proceeds, plus an additional \$50,000 in money-laundering proceeds).

As the U.S. Army's noncommissioned officer in charge of contracting at Camp Arifjan between 2005 and 2006, Evick had the authority to arrange for the award of valuable contracts to supply the U.S. military with bottled water and catering services, maintain Army barracks, and install security barriers, among other things. By manipulating the contracting process—including disclosing confidential information about the U.S. military's plans to procure goods and services and accepting fake bids—Evick and two of his fellow contracting officials, former U.S. Army Majors James Momon, Jr., and Christopher Murray, steered nearly \$24 million worth of contracting business to certain contractors. In exchange, these contractors paid Evick more than

\$170,000 in bribes and provided parties and a free New Year's Eve trip to Dubai.

Among the persons who paid Evick was Wajdi Birjas, a civilian U.S. government employee at Camp Arifjan who had a secret interest in a military contractor operating in Kuwait. Birjas testified that he provided phony bids to Evick from purportedly independent contractors who were, in reality, controlled by the same individuals. Evick used these bids to create the false impression that the contracts were awarded competitively. Birjas also testified that he had a hidden safe at his villa where Momon stored more than \$800,000 in bribe money that Evick used to exchange a large amount of Kuwaiti currency for U.S. dollars.

Evick gave much of his bribe money to Martin, a former Army master sergeant who had a concession from the Camp Arifjan Army and Air Force Exchange Service to sell merchandise, primarily through cash transactions. Evick and Martin then transferred tens of thousands of dollars worth of Evick's bribe money to the United States to Evick's wife and his girlfriend.

To conceal the bribe money, Evick and Martin converted the funds into Western Union wire transfers, money orders, cashier's checks, and personal checks. Evick and Martin also smuggled cash into the United States on their persons, Martin often taking military transport flights to avoid customs screening. Evick used some of his bribe money to purchase and construct a residence on three and a half acres in Parsons, West Virginia, and to buy a pickup truck.

Evick and Martin also participated in a scheme to smuggle \$250,000 of bribe money belonging to Momon into the United States. Momon testified about a summer 2006 meeting at Kuwait International Airport with Evick and Martin, at which Martin described how she was laundering Evick's bribe money and offered to provide the same service for Momon. According to evidence presented at trial, Evick offered to bury Momon's money on Evick's West Virginia property.

### **Former DoD Contract Employee Sentenced for Participating in Corruption Scheme**

On April 2, 2013, Wajdi Birjas was sentenced for his role in the corruption scheme at Camp Arifjan. Birjas pled guilty on August 11, 2010, to one count of bribery conspiracy and one count of money-laundering conspiracy. He was ordered to serve 35 months in prison, followed by 3 years of supervised release, and to forfeit \$650,000 and pay a \$200 special assessment.

Between approximately 2004 and August 2007, Birjas worked as a contractor in the Host Nation Affairs office at Camp Arifjan. His responsibilities included translating documents, handling customs matters, and identifying Kuwaiti companies capable of providing certain goods and services to the U.S. military in Kuwait. Through his work, Birjas had frequent contact with U.S. Army contracting officials, including officials who were regularly receiving unlawful payments from individuals who had contracts with, or were seeking contracts from, DoD.

Acting at the direction of a contractor working in Kuwait, Birjas developed corrupt relationships with U.S. Army contracting officials, including Sergeant First Class Richard Evick, Major Christopher Murray, and Major James Momon. By bribing these Army contracting officials in 2005 and 2006, Birjas helped the contractor obtain more than \$1.7 million in DoD contracts to provide various goods and services to the U.S. military. In return, Birjas received a share of the profits that the contracts generated and was allowed to live rent-free in a villa in Kuwait that contained a hidden safe.

Birjas paid Murray approximately \$90,000, paid Evick approximately \$22,000, and paid for Evick's and Momon's air travel and hotel expenses to allow them to celebrate New Year's Eve in Dubai. Birjas also allowed Momon to hide more than \$800,000 worth of his bribe money in Birjas's safe at the villa.

Birjas admitted that, after Momon had returned to the United States at the end of his tour, Birjas agreed to assist Momon in arranging for

\$250,000 of Momon’s bribe money to be transferred from Kuwait to the United States. Birjas admitted to working out the details of this agreement with Evick and Crystal Martin. According to court documents, Birjas delivered approximately \$85,000 worth of Momon’s bribe money to Martin for ultimate delivery to Momon in the United States.

## Other Legal Actions

Of the seven indictments that occurred or were unsealed this reporting period, six of the cases are discussed above because the individuals were also either convicted or sentenced. The remaining case is discussed below.

### British Contractor Agrees To Plead Guilty to Wire Fraud Conspiracy

On December 10, 2012, a criminal information charged British contractor APTx Vehicle Systems Limited with conspiracy to defraud the United States, the Coalition Provisional Authority, the Government of Iraq, and JP Morgan Chase Bank. As part of a plea agreement filed with the information, APTx agreed to pay a criminal fine of \$1 million.

According to the criminal information, APTx engaged in a fraudulent scheme involving an August 2004 contract valued at more than \$8.4 million for the procurement of 51 vehicles for the Iraqi Police. The prime contract was awarded to a different company, which in turn subcontracted the procurement to APTx for over \$5.7 million. Payment under the contract was by letters of credit issued by JP Morgan Bank.

The criminal information further charged that in May and June 2005, APTx submitted shipping documents to JP Morgan to draw down on the letters of credit. The shipping documents asserted that all 51 vehicles were produced and ready to ship to Iraq. However, APTx knew that none of the vehicles had been built, none of the vehicles were legally owned or held by APTx, and none of the



An Iraqi anti-riot vehicle—like those that were supposed to be provided under the APTx contract—fires both water cannons, as part of a civil disturbance course for Iraqi Police officers at Ramadi Training Center in January 2010. (U.S. Army photo)

vehicles were in the process of transport to Iraq. The fraudulent shipping documents also listed a company as the freight carrier that APTx knew was not a shipping company and named a fictitious company as the freight forwarder.

In a related civil settlement agreement, APTx, along with Alchemie Grp Ltd., a United Kingdom corporation, and Haslen Back, a director and shareholder of Alchemie, agreed to pay \$2 million to the United States to resolve claims originated by Ian Rycroft, an individual retained by the prime contractor to oversee transportation of the vehicles, under the *qui tam*, or whistleblower, provisions of the False Claims Act in the District of Massachusetts. The False Claims Act authorizes private whistleblowers to bring suit for false claims submitted to the United States and to share in any recovery. Rycroft died before the case was settled, and his estate will receive \$540,000 as its share of the settlement amount.

Benjamin Kafka, a representative for APTx in the United States, was charged in April 2009 with

one count of misprision of a felony in connection with his role in the wire-fraud conspiracy. The government has accused Kafka of allowing APTx to use his corporate name and identity as the freight carrier and freight forwarder on the fraudulent shipping documents presented to JP Morgan.

The criminal case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the District of Massachusetts. The civil case was handled by DoJ's Civil Division and the U.S. Attorney's Office for the District of Massachusetts.

## SIGPRO UPDATE

Under the SIGIR Prosecutorial Initiative, which began in late 2009, SIGIR hired highly experienced prosecutors and detailed them to the Fraud Section of DoJ's Criminal Division to prosecute SIGIR cases. SIGPRO prosecutors maintain full dockets of criminal fraud matters emanating from the Iraq reconstruction effort. They work closely with SIGIR's General Counsel and DoJ prosecutors assigned to SIGIR cases, and are currently leading or significantly involved in a host of prosecutorial matters and continue to play integral roles in the development and prosecution of cases being worked by the SIGIR Investigations Directorate. In line with SIGIR reductions in staff, the SIGPRO unit now comprises two prosecutors and one legal analyst.

Since October 2012, there were two appeal actions involving SIGPRO-prosecuted cases.

### SIGPRO ACCOMPLISHMENTS, AS OF 4/30/2013

Indictments	Convictions	Sentencings*
26	20	16

\* 246 months in prison (each sentence ranging from probation to 42 months in prison); total criminal monetary penalties—\$5,196,099; civil settlement—\$2,000,000

## United States v. Ayesh

On December 18, 2012, the Court of Appeals for the Fourth Circuit ruled on an appeal related to *United States v. Ayesh*. A SIGPRO attorney served as the lead prosecutor in this complex and lengthy case resulting in the first judicial opinion that violations of the federal conflict-of-interest statute (18 U.S.C. § 208) are subject to the extraterritorial jurisdiction of the United States.

The case also resulted in only the second judicial opinion that the theft of public funds in violation of 18 U.S.C. § 641 is subject to extraterritorial jurisdiction and the first opinion holding that non-U.S. citizens charged with violating the statute are subject to extraterritorial jurisdiction. As a result, there is now broader judicial precedent to prosecute these offenses when they occur in war zones such as Iraq and Afghanistan.

The court issued an opinion upholding the District Court:

Appellant Osama Esam Saleem Ayesh (“Ayesh”) appeals from a criminal judgment entered following a jury trial in the United States District Court for the Eastern District of Virginia. Ayesh was convicted by a jury on two counts of theft of public money (Counts 1 and 2), violations of 18 U.S.C. § 641, and on one count of committing acts affecting a personal financial interest (Count 3), a violation of 18 U.S.C. § 208(a). The District Court sentenced Ayesh to concurrent terms of imprisonment of 42 months on each count, followed by three years of supervised release. The District Court also ordered Ayesh to pay a fine of \$5,000 and restitution of \$243,416. On appeal, Ayesh contends that the district court improperly exercised extraterritorial jurisdiction over him for the counts of conviction, that it incorrectly denied his Motion to Suppress his post-arrest statements, and that the evidence was insufficient to sustain Ayesh's convictions for theft of public money. Finding no error, we affirm the district court.

## United States v. Pfluger

The second case was *United States v. Pfluger*, in which Pfluger appealed to the U.S. Supreme Court.

In *United States v. Pfluger*, the defendant moved to dismiss the indictment based on the argument that the five-year statute of limitations had expired

in 2009 and the defendant was not indicted until 2010. The government responded by arguing that the statute of limitations was suspended during the pendency of the war in Iraq by the operation of the Wartime Suspension of Limitations Act (18 U.S.C. § 3287). The judge, sitting in the Northern District of Texas, agreed with this argument and denied the defendant's motion to dismiss. The defendant subsequently pled guilty to the indictment.

In August 2011, the defendant filed an appeal with the United States Court of Appeals for the 5th Circuit. Oral arguments were heard by the Court on June 4, 2012, and a SIGPRO attorney argued for the Appellee United States of America. On June 21, 2012, the court upheld the conviction:

This appeal arises out of the Government's indictment of Defendant-Appellant David Pfluger for frauds Pfluger committed while serving as a Lieutenant Colonel in the United States Army in Iraq. Centrally, his appeal deals with a minimally developed area of law—the applicability of 18 U.S.C. § 3287. Better known as the Wartime Suspension of Limitations Act, section 3287 suspends the running of the statute of limitations for certain crimes when the United States is at war. Because we find § 3287 applicable to Pfluger, we AFFIRM.

Pfluger appealed to the U.S. Supreme Court, which denied the petition on February 19, 2013.

## FERRET UPDATE

In October 2009, SIGIR established the Forensic Evaluation Research and Recovery Enforcement Team (FERRET) to pursue suspicious financial transactions by U.S. military and civilian personnel and contractors who were assigned or stationed in Iraq. SIGIR continues to work closely with DCIS, NCIS, CID-MPFU, and AFOSI on several FERRET cases now in the court system. The cases of Mark Fuller and Michael Nguyen, discussed in detail in Section 3 of this report, were precursor investigations that led SIGIR to initiate the task force. SIGIR will feature a summary of all FERRET casework in the next and final quarterly report.

## FERRET ACCOMPLISHMENTS, AS OF 4/30/2013

Indictments	Convictions	Sentencings*
17	16	14
* total time—183 months in prison (each sentence ranging from probation to 72 months); criminal monetary penalties of \$5,438,896		

## SUSPENSIONS AND DEBARMENTS

Since December 2005, SIGIR has worked closely with DoJ, Army CID-MPFU, DCIS, and the Army Legal Services Agency's Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the Army. Many of these cases arise from criminal indictments filed in federal district courts or allegations of contractor irresponsibility that require fact-based examination by the Army's Suspension and Debarment Official. This quarter, the Army suspended 3 contractors based on allegations of fraud in Iraq and Kuwait. In addition, the Army proposed 30 contractors for debarment and finalized 9 debarments of individuals and companies during that same period based on fraudulent activity in Iraq and Kuwait.

The Army has suspended 181 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait since 2003, and 252 individuals and companies have been proposed for debarment, resulting in 186 finalized debarments that range in duration from 9 months to 10 years. PFB is pursuing additional companies and individuals associated with fraud related to Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2013. Suspension and debarment actions related to reconstruction and Army support-contract fraud in Afghanistan are reported to the Special Inspector General for Afghanistan Reconstruction. For a list of debarments, see Table 2.3.



TABLE 2.3  
DEBARMENT LIST

NAME	DEBARRED
Jacy Singleton	3/26/2013
Calvin Glass	3/26/2013
Peter Logiotatos	3/26/2013
Roberto Martino	3/26/2013
Mahir Needham Company for General Contracting and Trading	3/7/2013
Areebel Engineering & Logistics	3/7/2013
Fadyah Taj Musa Ivy	3/7/2013
Scott Allan Ivy	3/7/2013
Bryant Williams	1/17/2013
Sadeq Sewaiseh	12/20/2012
Kendall Johnson Caige	12/20/2012
Global Innervisionary Network, Inc.	12/20/2012
Felisa Ilaio Castillo	12/20/2012
Geraldine Knighten	12/20/2012
Derrick Shoemake	12/20/2012
Kamel Nayef al-Balawi	11/27/2012
David John Welch	11/27/2012
River Mississippi	10/25/2012
Horaa Kamel	10/25/2012
Amasha King	10/25/2012
Delmus Eugene Scott, Jr.	10/25/2012
Ashleigh Woods	9/17/2012
MACR Construction, LLC	9/17/2012
Al-Batat Construction Co.	8/24/2012
Hayder al-Batat	8/24/2012
Yahya al-Batat	8/24/2012
Ahmed Alssabari	8/24/2012
Hawks of Iraq	8/24/2012
Richard Lopez Razo	8/24/2012
Charles Bowie	7/12/2012
Peter Dunn	6/14/2012
Global Procurement, Inc.	6/14/2012
World Wide Procurement and Construction, LLC	6/14/2012
Michelle Lynn Adams	6/14/2012
Matrix International	5/17/2012
Jose Flores	5/17/2012
Barry Steven Szafran	5/17/2012
Jossey Varghese	5/17/2012
Specialised Security Systems	5/17/2012
Thomas Aram Manok	5/17/2012

Continued on next column

NAME	DEBARRED
SIMA International	5/17/2012
Ali Amer Huissein	5/17/2012
Majeed Sahdi Majeed	5/17/2012
Al-Sald Company for General Contracts	5/17/2012
C Building	5/17/2012
Al-Andalus/A Cap Company	5/17/2012
Al-Baqier Company	5/17/2012
Mohammed Baqier	5/17/2012
Frederick Manfred Simon	5/17/2012
Manfred Otto Simon	5/17/2012
Railway Logistics International, Inc.	5/17/2012
Engineering International Corporation	5/17/2012
Eric Hamilton	4/30/2012
Mike Atallah	2/25/2012
Marta Atallah	2/25/2012
Theresa Baker	2/25/2012
Theodore Williams	2/17/2012
Ozgen Kacar	2/17/2012
Mezin Kacar	2/17/2012
Ayfer Atilan	2/17/2012
Al-Amal al-Mushrig Company	2/15/2012
Charles Sublett	1/19/2012
Ali Hatham Soleiman	12/15/2011
Al-Anbar Trucking Association	12/15/2011
Abed Errazak Soleiman	12/15/2011
Saad Soleiman	12/15/2011
Taleb Alirfan	12/15/2011
Shalan Alirfan	12/15/2011
David Pflugler	12/6/2011
Ehsan Hassan al-Ameli	11/29/2011
Al-AALI General Contracting Co.	11/28/2011
Mahmoud Shakier Mahmoud	10/14/2011
Ahmad Muhammed Hassan	10/13/2011
Al-Ula Iraq	10/12/2011
Al-Ula FZCO	10/12/2011
Al-Ula Global Trading, LLC	10/12/2011
Chet Fazand	9/13/2011
Chad Fazand	9/13/2011
Fazand International Trading, LLC	9/13/2011
Al-Dalla Co.	9/13/2011

Continued on next column

NAME	DEBARRED
Faustino Gonzales	9/7/2011
Chasib Khazal Mehadi al-Mosawi	9/7/2011
Quasay Shamran Mehdi al-Mosawi	9/7/2011
The Economical Group	9/7/2011
Jenna International, Inc.	8/4/2011
Al-Methwad Company	7/21/2011
Tariq Zadan Dawood	7/21/2011
Tareq Zaidan Dawod	7/21/2011
Tariq Zaidan Dawod	7/21/2011
Tariq Zaidon Dawod	7/21/2011
Tarik Zaidon Dawood	7/21/2011
Abd al-Alim Abbod	7/21/2011
Frankie Joseph Hand	7/21/2011
Richard Joseph Harrington	7/21/2011
Janet Schmidt	6/22/2011
Mariam Steinbuch	6/6/2011
Mark Carnes	6/3/2011
Terence Walton	6/3/2011
Al-Aali Future Mario Company	5/11/2011
Eric Schmidt	4/20/2011
Mark Fuller	4/1/2011
Ahmad Mustafa	1/25/2011
Mubarek Hamed	1/25/2011
Ali Mohammed Bagegni	1/25/2011
Abdel Azzim El-Saddig	1/25/2011
Mark Deli Siljander	1/25/2011
Precy Pellettieri	1/12/2011
Salvatore Pepe	1/12/2011
Ammar Tariq al-Jazrawi	1/10/2011
Ammar Tareq al-Jazrawi General Contracting Company	1/10/2011
Liberty al-Ahlia General Trading and Contracting Company	12/13/2010
Bronze al-Taqoos al-Afjan	12/13/2010
International Quality Kitchens Ardiya	12/13/2010
John Napolian	12/13/2010
Joseph Sebastian	12/13/2010
N.K. Ismail	12/13/2010
Biju Thomas	12/13/2010
Combat General Trading Company	12/13/2010
Jank Singh	11/24/2010

Continued on next column

# INVESTIGATIONS UPDATE

NAME	DEBARRED
Blue Marine Services	11/24/2010
Blue Marines General Trading, LLC	11/24/2010
Blue Marines	11/24/2010
Blue Marines Group	11/24/2010
BMS Logistics	11/24/2010
BMS Group	11/24/2010
BMS General Trading, LLC	11/24/2010
Christopher Murray	11/10/2010
Curtis Whiteford	10/22/2010
William Driver	10/22/2010
Allied Arms Company, Ltd.	9/28/2010
Allied Arms Company, W.L.L.	9/28/2010
Shahir Nabih Fawzi Audah	9/28/2010
Defense Consulting and Contracting Group, LLC	9/28/2010
Amwaj al-Neel Company	9/22/2010
Baladi Company	9/22/2010
Desert Moon Company	9/22/2010
Ameer S. Fadheel	9/22/2010
Oday Abdul Kareem	9/22/2010
Maytham Jassim Mohammad	9/22/2010
Michael Dung Nguyen	8/19/2010
Michael Wheeler	7/28/2010
Austin Key	7/14/2010
Marko Rudi	5/26/2010
Ashraf Mohammad Gamal	4/16/2010
Triple A United General Trading and Contracting	4/16/2010
Jeff Thompson	3/29/2010
John Cockerham	3/17/2010
Melissa Cockerham	3/17/2010
Carolyn Blake	3/17/2010
Nyree Pettaway	3/17/2010
Robert Young	3/9/2010
Elbert Westley George III	1/21/2010
Roy Greene	1/21/2010
Ofelia Webb	1/21/2010
Patrick Faust	1/21/2010
Ali Jabak	9/30/2009
Liberty Jabak	9/30/2009
Liberty's Construction Company	9/30/2009
Tharwat Taresh	9/30/2009

*Continued on next column*

NAME	DEBARRED
Babwat Dourat al-Arab	9/30/2009
Dourat al-Arab	9/30/2009
Hussein Ali Yehia	9/30/2009
Amina Ali Issa	9/30/2009
Adel Ali Yehia	9/30/2009
Javid Yousef Dalvi	9/25/2009
Mohamed Abdel Latif Zahed	9/10/2009
Gerald Thomas Krage	9/4/2009
Andrew John Castro	9/4/2009
Airafidane, LLC	9/4/2009
Kevin Arthis Davis	8/20/2009
Jacqueline Fankhauser	8/7/2009
Debra Harrison	8/7/2009
Nazar Abd Alama	7/1/2009
San Juan Company	7/1/2009
Mississippi Company for the General Contract	7/1/2009
Lee Dynamics International	6/17/2009
Lee Defense Services Corporation	6/17/2009
George Lee	6/17/2009
Justin Lee	6/17/2009
Oai Lee	6/17/2009
Mark Anthony	6/17/2009
Levonda Selph	6/17/2009
Starcon Ltd., LLC	6/17/2009
Cedar Lanmon	6/3/2009
D+J Trading Company	5/14/2009
Jesse Lane, Jr.	1/30/2009
Jennifer Anjakos	1/30/2009
Carlos Lomeli Chavez	1/30/2009
Derryl Hollier	1/30/2009
Luis Lopez	1/30/2009
Mohammed Shabbir Kahn	10/10/2008
Kevin Andre Smoot	9/30/2008
Green Valley Company	9/17/2008, 5/18/2007
Triad United Technologies, LLC	9/17/2008
Dewa Europe	9/17/2008
Dewa Trading Establishment	9/17/2008
Al-Ghannom and Nair General Trading Company	9/17/2008
Dewa Projects (Private), Ltd.	9/17/2008

*Continued on next column*

NAME	DEBARRED
Future AIM United	9/17/2008
First AIM Trading and Contracting	9/17/2008
Vasantha Nair	9/17/2008
K. V. Gopal	9/17/2008
Falah al-Ajmi	9/17/2008
Trans Orient General Trading	9/17/2008
Zenith Enterprises, Ltd.	9/17/2008
Peleti "Pete" Peleti	6/15/2008
Al-Sawari General Trading and Contracting Company	3/13/2008
John Allen Rivard	1/14/2008
Samir Mahmoud	11/29/2007
Robert Grove	10/30/2007
Steven Merkes	9/27/2007
Bruce Hopfengardner	9/20/2007
Robert Stein, Jr.	8/16/2007
Philip Bloom	8/8/2007
Global Business Group S.R.L.	8/8/2007
Stephen Lowell Seamans	7/27/2007
Gheevarghese Pappen	6/28/2007
Faheem Mousa Salam	6/28/2007
QAH Mechanical and Electrical Works	6/27/2007
Abdullah Hady Qussay	6/27/2007
Al-Riyadh Laboratories and Electricity Co.	1/26/2007
Thomas Nelson Barnes	1/24/2007
Danube Engineering and General Contracting	12/28/2006
Alwan Faiq	12/28/2006
Christopher Joseph Cahill	11/9/2006
Ahmed Hassan Dayekh	9/26/2006
Diaa Ahmen Abdul Latif Salem	5/14/2009, 6/2/2006
Jasmine International Trading and Service Company	5/14/2009, 6/2/2006
Custer Battles	3/17/2006
Robert Wiesemann	3/6/2006
Glenn Allen Powell	2/16/2006
Amro al-Khadra	1/12/2006
Dan Trading and Contracting	1/12/2006
Steven Ludwig	9/29/2005
DXB International	9/29/2005

## OTHER AGENCY INVESTIGATIONS

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq. For statistics of investigative activities from other agencies, see Table 2.4. ♦

TABLE 2.4  
STATUS OF INVESTIGATIVE ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 3/31/2013

AGENCY	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ONGOING CASES*
U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit	–	3	30
Defense Criminal Investigative Service	–	2	6
Department of State Office of Inspector General	3	–	18
Federal Bureau of Investigation	–	1	54
Naval Criminal Investigative Service	–	–	–
U.S. Air Force Office of Special Investigations	–	–	16
U.S. Agency for International Development	1	–	24
<b>Total</b>	<b>4</b>	<b>6</b>	<b>148</b>

\* Numbers include pending cases worked with other agencies within the Joint Operations Center.

TABLE 2.5  
CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Sgt. Ramy Elmery	Making false statements	4/12/2013	Pending
SSgt. Richard Gilliland	Bribery	2/20/2013	Pending
Maj. Ulysses Hicks	Accepting Illegal Gratuities	1/3/2013	Pending
Gregory Light	Tax Evasion	12/17/2012	5 years probation, which includes 12 months of house arrest; \$3,000 criminal fine; \$81,886 restitution; \$100 special assessment
SSgt. Gilbert Mendez	Bribery	12/6/2012	Pending
Capt. Sean Patrick O'Brien	Accepting Illegal Gratuities	11/9/2012	23 months prison; 3 years supervised release; \$37,500 restitution; \$200 special assessment
Daniel Hutchinson	Receiving stolen funds from Iraq	9/14/2012	Time served (post arrest) in prison; 1 year probation; \$12,000 restitution; \$100 special assessment
Mohammed Shihaden Amin	Bribery	9/10/2012	6 months in prison; 6 months house arrest; \$47,000 restitution; \$100 special assessment
John Markus	Wire fraud, money laundering, and failure to report foreign bank and financial accounts	9/7/2012	13 years in prison; 3 years supervised release; \$75,000 fine; \$3.7M forfeiture
Julio Soto, Jr.	Conspiracy to accept illegal gratuities	8/29/2012	5 years probation; \$5,000 fine; \$62,542 restitution; \$100 special assessment
Jill Charpia	Providing false statements to a government agency	8/9/2012	30 months in prison; 3 years supervised release, \$920,000 restitution; \$100 special assessment
Robert Boorda	Conspiracy to commit wire fraud	8/6/2012	Pending
Hutchinson co-conspirator	Conspiracy	6/29/2012	Pretrial diversion program
Crystal Martin	Conspiracy and money laundering	6/25/2012	5 years probation and pay a special assessment of \$600
Richard Evick	Conspiracy, bribery, money laundering, and obstructing an agency proceeding	6/25/2012	12 months and 1 day in prison on each count to run concurrently; \$1,100 special assessment
Ahmed Kazzaz	Conspiracy, kickbacks, wire fraud, and mail fraud	5/21/2012	15 months confinement; 2 years supervised release; \$947,585 restitution; \$15,000 fine; \$947,585 forfeiture; \$1,200 special assessment
Nicole Luvera	Theft of government property	5/17/2012	Pending
Billy Joe Hunt	Conspiracy and filing false tax returns	5/8/2012	15 months in prison; 3 years supervised release; \$66,212 restitution to the IRS; \$200 special assessment; \$236,472 forfeiture
Gaines Newell, former DoD contractor employee	Conspiracy and filing false tax returns	4/10/2012	27 months in prison; 3 years supervised release; \$1,102,115 restitution (\$861,027 to USACE and \$241,088 to the IRS); \$200 special assessment; \$861,027 forfeiture
Maj. Christopher G. Bradley, USA	Gratuities	4/9/2012	6 months in prison; 1 year supervised release; \$20,000 restitution; \$200 special assessment
David J. Welch, former DoD contractor employee	Conspiracy to steal government property	4/2/2012	2 years in prison; 3 years supervised release; \$160,000 restitution
Capt. Michael G. Rutecki, USA	Gratuities	3/7/2012	3 years probation; \$10,500 restitution; \$2,000 fine; \$100 special assessment
Sgt. Amasha M. King, USAR	Conspiracy to defraud	2/14/2012	3 months in prison; 5 years probation; \$20,500 restitution; \$100 special assessment
John F. Hayes	Conspiracy	11/10/2011	5 months in prison; 2 years supervised release; and \$12,000 restitution
Brian D. Cornell	False statements	10/27/2011	3 months confinement; 2 years supervised release; \$1,000 fine; and \$100 special assessment
Robert A. Nelson, former USA sergeant	Conspiracy to steal public property	10/5/2011	4 years probation with the first 6 months in home confinement; \$44,830 restitution; and \$100 special assessment
Thomas A. Manok, former USACE employee	Conspiracy	9/19/2011	20 months in prison; 3 years supervised release; forfeiture of \$73,500; and \$100 special assessment

Continued on the next page

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Tamimi Global Company LTD	Kickbacks	9/16/2011 (Deferred Prosecution Agreement (DPA))	\$13 million to resolve criminal and civil allegations
Eric Scott Hamilton, USMC gunnery sergeant	Conspiracy	8/10/2011	18 months in prison; 3 years supervised release; and \$124,944 restitution
Francisco Mungia III	Conspiracy	7/22/2011	4 months in prison; 3 years supervised release; and \$30,000 restitution
Barry S. Szafran	Illegally receiving a gratuity	7/15/2011	1 year probation with the first 4 months in home confinement; \$7,169 restitution; and \$100 special assessment
Justin W. Lee, former DoD contractor	Conspiracy, bribery	7/15/2011	Pending
Derrick Shoemake, retired USA lieutenant colonel	Bribery	6/13/2011	41 months in prison; 2 years supervised release; forfeiture of \$68,100; and \$181,900 restitution
David Pfluger, former USA Lt. Col.	Conspiracy, accepting gratuities, and converting the property of another to his own use	3/25/2011	18 months in prison; 3 years supervised release; and \$24,000 restitution
Charles Bowie, retired USA major	Engaging in monetary transactions in property derived from specified unlawful activity	5/11/2011	2 years in prison; 3 years supervised release; \$400,000 restitution; and \$100 special assessment
Eddie Pressley, former USA major	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	3/1/2011	12 years in prison; 3 years supervised release; and forfeiture of \$21 million, real estate, and several automobiles
Eurica Pressley, former contractor and military spouse	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	3/1/2011	6 years in prison; 3 years supervised release; and forfeiture of \$21 million, real estate, and several automobiles
Richard Razo, former DoS contractor and DoS employee	Wire fraud, wire fraud conspiracy	2/28/2011	33 months in prison; 2 years supervised release; \$106,820 restitution; and \$200 special assessment
Maj. Kevin Schrock, USA	Money laundering	2/8/2011	3 years probation; and \$47,241 restitution
Osama Ayesh, former U.S. Embassy-Baghdad employee	Theft of public money, engaging in acts affecting a personal financial interest	2/2/2011	42 months in prison; 36 months supervised release; \$243,416 restitution; and \$5,000 fine
Capt. Bryant Williams, USA	Honest services fraud, accepting bribes	12/17/2010	3 years in prison; 3 years supervised release; forfeiture of \$57,030; and \$200 special assessment
Mark Carnes, USAF master sergeant	Bribery	12/16/2010	20 months in prison; 3 years supervised release; and \$4,000 fine
Michelle Adams, former DoD contractor	Bribery	12/7/2010	15 months in prison followed by supervised release
Frankie Hand, Jr., retired USN lieutenant commander	Fraud, bribery, and receiving illegal gratuities	12/7/2010	3 years in prison and forfeiture of \$757,525
Peter Dunn, former DoD contractor	Bribery	11/19/2010	14 months in prison and 2 years supervised release
Louis Berger Group	Major fraud statute	11/5/2010 (DPA)	\$18.7 million in criminal penalties; civil settlement of \$50.6 million; full restitution to USAID; adopt effective standards of conduct, internal control systems, and ethics training for employees; and employ an independent monitor to evaluate and oversee the companies compliance with the DPA for 2 years
Salvatore Pepe	Conspiracy to defraud	11/5/2010	Pending
Precy Pellettieri	Conspiracy to defraud	11/5/2010	Pending
Maj. Roderick Sanchez, USA	Bribery	10/27/2010	5 years in prison; 3 years supervised release; and \$15,000 fine
Maj. Richard Harrington, USMC	Receiving illegal gratuities	10/18/2010	1 year and 1 day in prison; and restitution
Lt. Col. Bruce Gillette, USAR	Acts affecting a personal financial interest	10/6/2010	1 year probation; \$2,000 fine; 160 hours community service; and inability to possess a firearm

*Continued on the next page*

# INVESTIGATIONS UPDATE

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Mariam Steinbuch, former USMC staff sergeant	Bribery	10/5/2010	5 years probation and \$25,000 restitution
Ismael Salinas	Kickbacks	10/1/2010	9 months in prison (time served); 2 years supervised release; \$7,500 fine; forfeiture of \$807,904; and \$300 special assessment
Dorothy Ellis	Conspiracy	9/2/2010	37 months in prison; 3 years probation; and \$360,000 restitution
Wajdi Birjas, former DoD contract employee	Bribery, money laundering	8/11/2010	35 months in prison, 3 years supervised release, \$650,000 forfeiture, and \$200 special assessment
Maj. Mark Fuller, USMC	Structuring financial transactions	8/4/2010	1 year and 1 day in prison; \$198,510 fine; and \$200 special assessment
Maj. Charles Sublett, USA	False statements	7/7/2010	21 months in prison; 2 years supervised release; and forfeiture of \$107,900 and 17,120,000 in Iraqi dinar
Capt. Faustino Gonzales, USA	Receipt of a gratuity by a public official	6/24/2010	15 months in prison; 1 year supervised release; \$10,000 fine; \$25,500 restitution; and \$100 special assessment
MSGT Terrance Walton, USMC	Bribery, graft, failure to obey a direct order	5/17/2010	Reprimand; reduction in rank from E-8 to E-3; \$65,000 fine; and 62 days confinement
Capt. Eric Schmidt, USMC	Wire fraud, filing a false federal tax form	5/17/2010	72 months in prison; 3 years probation; and \$2,150,613 restitution
William Collins, USA civilian	Bribery	4/21/2010	42 months in prison; 3 years supervised release; \$1,725 fine; and forfeiture of \$5,775
SFC Ryan Chase, USA	Illegal gratuities, money laundering, false statements	4/21/2010	1 year and 1 day in prison; 2 years probation; and \$1.4 million restitution
Marcus McClain	Acceptance of illegal gratuities	4/15/2010	Pending
Kevin A. Davis	Acceptance of illegal gratuities	4/13/2010	Pending
Janet Schmidt, contractor and military spouse	Filing a false tax return and fraud	3/18/2010	1 year home confinement; 3 years probation; and \$2,150,613 restitution
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	39 months in prison; 1 year supervised release; and forfeiture of \$15,757,000
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	5 years probation and \$31,000 restitution
Capt. Michael D. Nguyen, USA	Theft and structuring financial transactions	12/7/2009	30 months in prison; 3 years supervised release; \$200,000 restitution; and forfeit his interest in all personal property bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest
Ronald Radcliffe	Bribery and money laundering	10/16/2009	40 months in prison and \$30,000 fine
Joselito Domingo	Bribery	11/19/2009	39 months in prison; 2 years supervised release; and \$70,000 fine
Gloria Martinez	Bribery and conspiracy	8/12/2009	5 years in prison
Robert Jeffery	Conspiracy and theft	8/11/2009	4 years in prison
William Driver	Money laundering	8/5/2009	3 years probation, to include 6 months home confinement, and \$36,000 restitution
Nyree Pettaway	Conspiracy to obstruct justice	7/28/2009	1 year and 1 day in prison; 2 years supervised release; and \$5 million restitution
Michel Jamil	Conspiracy	7/27/2009	40 months in prison
Robert Young	Conspiracy and theft of government property	7/24/2009	97 months in prison; 3 years supervised release; forfeiture of \$1 million; and \$26,276,472 restitution
Samir Itani	Conspiracy	7/21/2009	2 years in prison; 3 years supervised release; \$100,000 fine; and \$100 special assessment
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; \$1.6 million fine; and \$816,485 restitution to the IRS
Jeff Thompson	Kickbacks	6/16/2009	5 years probation; \$144,000 restitution; \$100 special assessment

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; \$20,000 fine; and \$70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending
Elbert W. George III	Theft of government property; conspiracy	5/18/2009	60 days intermittent confinement; 2 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Roy Greene \$52,286.60 restitution
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	3 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Elbert George \$52,286.60 restitution
Frederick Kenvin	Conspiracy	4/30/2009	3 years probation and \$2,072,967 restitution
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	3 years probation; \$41,522 restitution; and \$2,000 fine
Jeff Alex Mazon, contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	1 year probation; 6 months home confinement; and \$5,000 fine
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; and \$3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	61 months in prison and 3 years supervised release
Harith al-Jabawi, contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA contracting officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; and \$245,000 restitution
Maj. Theresa Baker, USAR contracting officer	Conspiracy and bribery	12/22/2008	70 months in prison and \$825,000 restitution
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	5 years in prison; 2 years supervised release; and \$16,200 restitution
Lt. Col. Michael Wheeler, USAR CPA reconstruction advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	42 months in prison; 3 years supervised release; \$1,200 restitution; and \$100 special assessment
David Ramirez, contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; and \$200 special assessment
Lee Dubois, contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	3 years in prison and repayment of \$450,000 that represented the illegal proceeds of the scheme
Robert Bennett, contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	1 year probation and \$6,000 restitution
Maj. James Momon, Jr., USA contracting officer	Conspiracy and bribery	8/13/2008	18 months in prison, 3 years supervised release, \$5.8M restitution, and a \$300 special assessment
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; and \$366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison and 1 year supervised release
Jacqueline Fankhauser	Receipt of stolen property	6/30/2008	1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; and \$100 special assessment
Maj. John Lee Cockerham, Jr., USA contracting officer	Bribery, conspiracy, and money laundering	6/24/2008	210 months in prison; 3 years of supervised release; and \$9.6 million restitution
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; and \$1.4 million restitution
Lt. Col. Levonda Selph, USAR contracting officer	Conspiracy and bribery	6/10/2008	12 months in prison; 3 years supervised release; \$5,000 fine; and \$9,000 restitution
Raman International Corp.	Conspiracy and bribery	6/3/2008	\$500,000 fine and \$327,192 restitution

*Continued on the next page*

# INVESTIGATIONS UPDATE

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Capt. Austin Key, USA contracting officer	Bribery	12/19/2007	2 years confinement; 2 years supervised release; \$600 assessment; and forfeit \$108,000
Maj. John Rivard, USAR contracting officer	Bribery, conspiracy, and money laundering	7/23/2007	10 years in prison; 3 years supervised release; \$5,000 fine; and \$1 million forfeiture order
Kevin Smoot, Managing Director, Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act and making false statements	7/20/2007	14 months in prison; 2 years supervised release; \$6,000 fine; and \$17,964 restitution
Anthony Martin, subcontractor administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; and \$200,504 restitution
Jesse D. Lane, Jr., USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison and \$323,228 restitution
Steven Merkes, DoD civilian, operational support planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison and \$24,000 restitution
Chief Warrant Officer Peleti "Pete" Peleti, Jr., USA, Army's food service advisor for Kuwait, Iraq, and Afghanistan	Bribery and smuggling cash	2/9/2007	28 months in prison and \$57,500 fine and forfeiture
Jennifer Anjakos, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$86,557 restitution; and \$100 assessment
Sgt. Carlos Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$28,107 restitution; and \$100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$83,657.47 restitution; and \$100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$66,865 restitution; and \$100 assessment
Bonnie Murphy, contracting officer	Accepting unlawful gratuities	11/7/2006	1 year supervised release and \$1,500 fine
Samir Mahmoud, employee of U.S. construction firm	Making false statements	11/3/2006	1 day credit for time served and 2 years supervised release
Gheevarghese Pappen, USACE civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; and \$28,900 restitution
Lt. Col. Bruce Hopfengardner, USAR special advisor to CPA-South Central Region	Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison; 3 years supervised release; \$200 fine; and \$144,500 forfeiture
Faheem Mousa Salam, interpreter, Titan Corp.	Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years supervised release; 250 hours community service; and \$100 special assessment
Mohammad Shabbir Khan, director of operations for Kuwait and Iraq, Tamimi Global Co., Ltd.	Violating the Anti-Kickback Act	6/23/2006	51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 restitution; and \$1,400 assessment
	Witness tampering	8/10/2009	15 months in prison; 2 years supervised release; \$6,000 fine; and \$200 special assessment
Philip Bloom, Owner: Global Business Group, GBG Holdings, and GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years supervised release; \$3.6 million forfeiture; \$3.6 million restitution; and \$300 special assessment
Stephen Seamans, subcontracts manager, KBR	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; \$380,130 restitution; and \$200 assessment
Christopher Cahill, regional vice president, Middle East and India, Eagle Global Logistics, Inc.	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; \$10,000 fine; and \$100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of \$4 million)
Robert Stein, CPA-South Central comptroller and funding officer	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years supervised release; \$3.6 million forfeiture; \$3.5 million restitution; and \$500 special assessment
Glenn Powell, subcontracts manager, KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; \$90,973.99 restitution; and \$200 assessment



# INVESTIGATIONS RETROSPECTIVE

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SECTION

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3

## WORKING IN A WAR ZONE

When they first arrived in Iraq in the spring of 2004, SIGIR’s investigators stepped into a war zone that presented an extraordinarily dangerous environment and a weak operational infrastructure. Often without power or cell service, what should have been half-hour administrative tasks became multiday ordeals. These challenges limited progress, but SIGIR was still able to break some major cases early on, including the Bloom-Stein conspiracy, which produced eight convictions.

In 2008, SIGIR investigative personnel moved out of their first office—in Saddam’s Republican Palace—and set up shop in the bombed-out shell of an old Republican Guard building at Forward Operating Base Union III. The center of the “new” facility was completely caved in, working bathrooms were not part of the accommodations, nor was reliable computer access. Improvised explosive devices regularly detonated nearby, blowing open the office’s back door or crumbling office support structures. Secure office space in good working order was always hard to come by in Iraq.

Traveling to interview witnesses or pursue leads meant negotiating with the military for travel in the interstices between sandstorms and security threats. Pursuing a hot lead demanded patience, perseverance, and creativity.

Tracking crimes involving Iraq reconstruction funds required finding the active-duty and reservist military personnel, U.S. civilian employees, or contractors who were involved. Occasionally, crimes involved military personnel of foreign nations, and a good interpreter proved invaluable. Military and civilian alike, the parties involved in Iraq cases were constantly rotating in and out of the country. Many would move from the Iraq theater to Afghanistan (or in the case of third-country nationals, return to their homeland), further complicating SIGIR’s ability to investigate and resolve cases.



SIGIR’s office building in 2008.

SIGIR investigators in Virginia worked the domestic angles, coordinating with other U.S. law-enforcement agencies and prosecutors. SIGIR stationed investigators in Florida, Texas, Michigan, and several other states, which provided better and more cost-effective coverage, speeding work on the rapidly expanding SIGIR caseload. But SIGIR cases always required extensive team coordination between investigators in Baghdad and personnel dispersed in different time zones across the United States.

## COLLABORATION FOR THE LONG HAUL

Ensure that law-enforcement agencies have appropriate investigative plans and procedures in place before an SRO begins, with trained personnel who are well prepared to carry them out.

This primary lesson from SIGIR’s investigative work was evident to all the law-enforcement officials scrambling to develop cases in Iraq’s prohibitive operating conditions. Once it became clear that the U.S. presence in Iraq would extend well beyond a year, U.S. law-enforcement agencies began comparing notes and forging informal relationships to share the information and resources necessary

to combat criminal misconduct in U.S.-funded programs where controls were weak.

Facing the dual challenges of being both new and temporary, SIGIR worked to hire investigators with successful track records from agencies like the Defense Criminal Investigative Service (DCIS), Drug Enforcement Administration, U.S. Postal Inspection Service, U.S. Department of Agriculture Office of Inspector General, and U.S. Immigration and Customs Enforcement. SIGIR sought people trained in procurement fraud and well versed in “following the money.” Their experience paid off. They cultivated relationships and helped steer the U.S. law-enforcement effort toward the formal, lasting partnership established through the International Contract Corruption Task Force (ICCTF).

SIGIR signed the original memorandum of understanding that formed the ICCTF in August 2008, along with five other agencies: the Federal Bureau of Investigation (FBI), DCIS, the U.S. Agency for International Development Office of Inspector General, U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU), and Department of State Office of Inspector General.

The ICCTF created a Joint Operations Center (JOC) to facilitate the management of investigations in Iraq, setting the precedent for its use not just in Afghanistan, but also in any future contingency operating area around the world. Through a centrally accessible database operated by the JOC, agents share, upload, and search information from prior and current cases. Senior special agents from each agency headquarters serve as representatives, and along with analysts from each agency, collaborate regularly at the JOC to deconflict cases and discuss trends in criminal activity, among other things.

A Board of Governors with representatives from each of the agencies meets quarterly to discuss the overall direction of the ICCTF and JOC and to resolve managerial issues. By November 2008, the Naval Criminal Investigative Service (NCIS), Air Force Office of Special Investigations, and Special

Inspector General for Afghanistan Reconstruction had signed on as well.

SIGIR evolved into a decentralized team, stationing agents in key locations with investigative partners. We forged formal task-force engagements with the Department of Justice through the SIGPRO initiative and with DCIS and CID-MPFU through the FERRET initiative. Additionally, we implemented the International Criminal Enforcement and Prosecution Team (INTERCEPT) to facilitate the prosecution of non-U.S. citizens in other countries. These successful partnerships bore out another of SIGIR’s investigative lessons learned:

Avoid bureaucratic turf battles among law-enforcement agencies by building a task-force approach that brings all agencies together around the law-enforcement mission.

## CERP EXPLOITATION

SIGIR’s audits, investigations, and lessons-learned reports revealed the many vulnerabilities of cash-based programs conducted in war zones, such as the Commander’s Emergency Response Program (CERP). Created to provide rebuilding funds to field commanders, the CERP was sometimes exploited by those who sought to enrich themselves. Among several SIGIR cases involving military officers responsible for awarding and overseeing contracts in Iraq, the cases of Major Mark Fuller and Captain Michael Nguyen provide key lessons.

### Flying under the Radar: The Mark Fuller Case

Major Mark Fuller, a U.S. Marine Corps fighter pilot, deployed to Iraq from February 15, 2005, through September 27, 2005, serving as a CERP project purchasing officer in the 5th Civil Affairs Group at Camp Fallujah. He had the authority to identify and select reconstruction projects, award reconstruction projects to Iraqi contractors,

and negotiate contract terms, and he was responsible for verifying the completion of those projects. Much of the work was awarded to Iraqi contractors, who received payment of CERP funds in the form of brand-new \$100 U.S. currency notes. Project purchasing officers had access to large sums of cash, and program controls over currency were weak.

Soon after returning from his deployment in October 2005, Fuller began making routine cash deposits with fresh \$100 U.S. currency notes at three different banks—each deposit totaling less than \$10,000 to evade the reporting requirements under federal law. Between October 2005 and April 2006, Fuller made 91 cash deposits, totaling more than \$440,000, into accounts with Bank of America, Chase Bank, and the Navy Federal Credit Union.

As a result of an investigation by SIGIR, DCIS, CID-MPFU, and NCIS, Fuller was charged on May 11, 2010, in a 22-count indictment returned by a federal grand jury in Phoenix, Arizona. In August 2010, he pled guilty to two counts of structuring financial transactions, a felony. He subsequently was sentenced to serve one year and one day in prison; was ordered to pay a fine of \$198,510, forfeit \$128,915, and pay a special assessment of \$200; and was debarred from contracting with the government.

## Special Delivery: The Michael Nguyen Case

A year after Fuller's tour of duty, U.S. Army Captain Michael Nguyen began serving as a CERP purchasing officer in the 1st Battalion, 23rd Infantry Regiment, in Muqdadiyah, Iraq, about 80 miles northeast of Baghdad. Among other projects, he was controlling cash meant for the Sons of Iraq program to pay the salaries of Sunni fighters who agreed to support U.S. troops—a key part of the strategy to defeat the insurgency.

From April 2007 through February 2009,

Nguyen stole and converted to his own use approximately \$690,000 in U.S. currency. Before returning to the United States in 2008, he mailed the stolen CERP funds back to his address and to that of his family in Oregon. Shortly after he returned home, Nguyen opened new bank accounts at Bank of America, Washington Mutual Bank, America's Credit Union, and Heritage Bank, depositing \$387,550 of the stolen CERP funds—typically in deposits consisting of \$100 bills. Between June 9, 2008, and September 26, 2008, Nguyen made repeated deposits of the stolen CERP funds in a manner intended to evade federal reporting requirements for the deposit of large amounts of currency.

Then Nguyen went on a spending spree. He purchased a 2008 BMW and a 2009 Hummer H3T, as well as computers, firearms, electronics, and furniture. Additionally, investigators discovered \$300,000 in stolen CERP cash hidden in the attic of a family member's home in Portland.

Nguyen pled guilty to theft and structuring of financial transactions in December 2009 and received a sentence of 30 months in prison and 3 years supervised release. He was ordered to pay \$200,000 restitution and forfeit his interest in all personal property bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest. He has been debarred from government contracting until March 15, 2015.

SIGIR worked with the Internal Revenue Service Criminal Investigation Division, DCIS, FBI, and CID-MPFU to bring Nguyen to justice.

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## BASE CONSPIRACIES

The lure of easy money also spawned conspiracies among government contracting officials and contractors deployed to U.S. military bases in the Middle East. Camp Victory in Iraq and Camp Arifjan in Kuwait were the scenes of two major conspiracies.

## Drawdown Fire Sale: The David Welch Case

In the months leading to the withdrawal of U.S. military personnel from Iraq, private contracting firms were called upon to support the processing and shipment of some of the 3 million-plus pieces of excess U.S. military equipment either donated to the Iraqi Security Forces, sent back to the United States, or sent to other theaters of operation. SIGIR cases related to the misappropriation of millions of dollars of this equipment are making their way through the U.S. court system. The case of the stolen generators at Camp Victory is one of them.

David John Welch worked as a manager for Fluor Corporation on Victory Base Complex in Baghdad in 2011. Responsible for the movement of U.S. government equipment under his company's contract, Welch was supposed to ensure that electrical generators from the base reached the Defense Reutilization and Marketing Office. In October 2011, Welch and Fluor coworker Kamel al-Balawi entered into a scheme to steal and sell approximately 38 generators on the black market in Iraq.

After the theft, al-Balawi gave Welch at least four stacks of \$100 bills, totaling approximately \$38,600. The total estimated value of the generators at the time of the theft exceeded \$550,000. Welch and al-Balawi sold them for \$84,000.

On April 2, 2012, Welch pled guilty to conspiracy



A Harley-Davidson motorcycle—one of many items forfeited by Terry Hall as a part of his sentence.

to steal property under the control of a government contractor. At sentencing on July 9, 2012, he received 2 years imprisonment, followed by 3 years of supervised release, and he was ordered to pay \$160,000 in restitution.

## The Cockerham Infection: The Pressley and Hall Cases

The disease of corruption at Camp Arifjan that started with U.S. Army Major John Cockerham amounts to the most significant criminal conspiracy uncovered during the Iraq reconstruction program. To date, the work of SIGIR and its partner investigative agencies has led to the conviction of 22 individuals. Other than Cockerham, who is serving more than 17 years in prison for awarding government contracts to companies that paid him bribes, co-conspirators U.S. Army Major Eddie Pressley, Eurica Pressley, and military contractor Terry Hall are among those who received the stiffest sentences for their misdeeds.

The infection's ground zero, Camp Arifjan in Kuwait, was the Army's principal supply hub for Iraq reconstruction. While serving as an Army contracting official there from 2004 to 2006, Major Pressley arranged for the award of a blanket purchase agreement (BPA) to Freedom Consulting and Catering Co. (FCC), a company operated by Hall. Hall's company was to deliver bottled water on an



A Lincoln Navigator bought by Eddie Pressley with the proceeds of his criminal activity.



The 24-acre commercial property purchased by the Pressleys and Hall with their ill-gotten gains and then lost in foreclosure.

as-needed basis at a pre-negotiated price.

But illegal strings were attached to the contract. Following the example set by Cockerham, Pressley demanded a \$50,000 bribe before he would allow an order, or “call,” for bottled water to be placed under the BPA. In April 2005, Hall and his associates obliged. They arranged for Pressley to receive the money in a bank account established in the name of a shell company, EGP Business Solutions, which was controlled by Eurica Pressley, Major Pressley’s wife.

Soon after the \$50,000 bribe was paid, Majors Pressley and Cockerham increased the bribe demand to \$1.6 million, with half to go to each of them. After Hall and others agreed to pay the money, Pressley and Cockerham issued calls for bottled water, modified the BPA to remove the upper limit of the money that Hall could receive from DoD under the BPA, and arranged for Hall to receive another contract to construct a security fence at Camp Arifjan. For goods and services provided under the bottled-water and fence contracts, DoD paid FCC approximately \$10 million.

In all, the Pressleys received about \$2.9 million in bribe payments—approximately \$1.6 million of which consisted of payments from other contractors that Hall facilitated for Eddie Pressley. In addition to setting up the shell company to launder the bribes, Eurica Pressley opened bank accounts in her name in Dubai, the United Arab Emirates, and

the Cayman Islands. The Pressleys, Hall, and others also attempted to conceal their corrupt scheme by having Eurica Pressley execute bogus “consulting agreements” designed to mask the bribes as payment for legitimate, though non-existent, services.

The Pressleys used their ill-gotten gains to purchase expensive automobiles, home decorating services, and a 24-acre commercial property in Muscle Shoals, Alabama. The property was purchased at a time when the river level supported the full function of its marina. However, due to subsequent draught conditions, the river flow was reduced, drastically affecting the marina’s profitability. The property eventually ended up in foreclosure, and the original seller regained ownership at a substantial loss to the Pressleys.

On March 1, 2011, a federal jury convicted the Pressleys on 22 counts of bribery and money laundering. Eddie Pressley was subsequently sentenced to 12 years in prison, and Eurica Pressley was sentenced to 6 years in prison. Of all the people convicted for crimes related to the conspiracy, Eddie Pressley received a longer prison sentence than anybody other than Cockerham. Both Pressleys were required to forfeit real estate and several autos, as well as \$21 million—the largest monetary forfeiture among all cases investigated by SIGIR.

Hall’s entanglements involved more than just the Pressleys and Cockerham. Hall had a second company, Total Government Allegiance, doing business for DoD in Iraq, and he provided kickbacks to other U.S. Army contracting officials. According to Hall’s own testimony, he made more than \$3 million in unlawful payments and provided other valuable items and services to contracting officials stationed at Camp Arifjan. Altogether, his companies received about \$21 million from the U.S. government for the work they claimed to do in Iraq.

On March 20, 2012, Hall was sentenced to almost three years in prison and ordered to serve one year of supervised release following his imprisonment. He also forfeited almost \$15.8 million as well as real estate and a Harley Davidson motorcycle. His monetary forfeiture was second only to that of the Pressleys. ♦

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