

Fraud Awareness Newsletter

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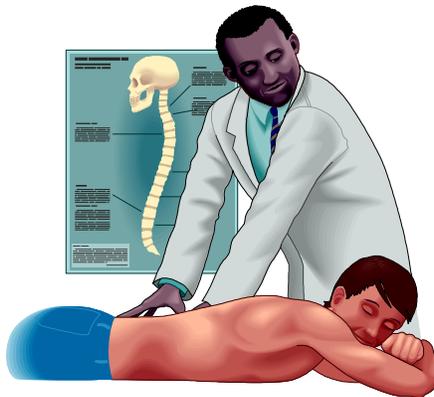
January 16-31, 1999

Courtesy of the
Department of Defense
Office of the Inspector General
Defense Criminal Investigative Service
Central Field Office



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gations (AFOSI).



Indictments

Bid Fraud

An indictment returned in Phoenix, AZ, charged Surplex International, Limited (Surplex), and Richard Vucenic, its president, with 55 counts of wire fraud and 3 counts of mail fraud. An 18-month investigation determined Vucenic and Surplex allegedly issued and/or caused to be issued fraudulent bid, payment and performance bonds on Department of Defense (DoD) construction contracts. The Phoenix Resident Agency (RA) is conducting the investigation with the Federal Bureau of Investigation (FBI), the U.S. Army Criminal Investigation Command (USACIDC) and the Air Force Office of Special Investi-

Workers Compensation

A three-count information was filed against Albert L. Asrouch, Jr., Minneapolis, MN, charging him with obtaining Federal employees' compensation by submitting false statements to the Department of Labor Federal Employees Compensation Program, administered by the Office of Workers Compensation Program (OWCP). Asrouch, a former employee of the 934th Tactical Air Group, Air Force Reserves, Minneapolis/St. Paul, MN, was receiving OWCP benefits as a result of a reported lower back injury he sustained on or about December 30, 1985. On or about December 27, 1995, and on April 9, 1997, Asrouch

allegedly certified in writing he was not employed or not involved in any business enterprise in the 15 months prior to those dates. An investigation determined Asrouch was allegedly employed and involved in a snowplowing business during those times. The Minneapolis Post of Duty (POD) is conducting the investigation.



Product Substitution

A one-count information was filed against Charles S. Urban, operating as Urban Manufacturing, Drexel Hill, PA, charging him with making false state-

ments. An investigation determined Urban allegedly falsified certificates of compliance stating that a passivation process had been performed on a critical application part used on the Bradley Fighting Vehicle. The Bradley, a fully tracked, lightly armored U.S. military combat vehicle, serves as a "battle taxi" designed to transport troops to critical battlefield locations. When using a water barrier or inflatable pontoon system, the Bradley is amphibious. Urban allegedly falsified that the passivation process had been performed on a plug component used on the Bradley's water barrier system. The Northeast Field Office (FO) is conducting the investigation.



Environmental Crime

An information and plea agreement were filed against Essex Waste Management Services, Incorporated (Essex), Kingsville, MO. Essex is charged with knowingly disposing of commercial and DoD aerosol hazardous waste in violation of its permit issued by the State of Missouri. Essex will pay a \$50,000 fine and be placed on 3 years probation. Essex's president, Edward Sechrest, is awaiting trial on

similar environmental related violations. The Kansas City RA conducted the investigation jointly with the FBI, the Environmental Protection Agency (EPA) and the Missouri Department of Natural Resources.

Sentences

Tax Evasion

Mark Gordon was sentenced in U.S. District Court, Philadelphia, PA, to 5 years probation, 500 hours community service, ordered to pay a \$150 special assessment and to repay \$20,000 in back taxes. Gordon previously pled guilty to three counts of filing a false tax return. An investigation disclosed Gordon was involved in a scheme in which his employer, Butler Foods, paid him a cash salary that was not reported to the IRS. The owners of Butler Foods also were involved in several other schemes that included bribery of Government officials, payment of kickbacks to commercial customers, and mislabeling of meat products. The Northeast FO conducted the investigation with the FBI, the Internal Revenue Service (IRS) and the U.S. Department of Agriculture.



Kickbacks

Donald C. Miller, owner of Aero Fabricators, DeSoto, TX, was sentenced to 1 year probation, a \$1,000 fine, ordered to pay restitution of \$1,000 and a \$25 special assessment. Miller previously pled guilty to one count of malicious mischief, in that he diverted Government property while employed by an aerospace repair facility. Acting for his previous employer, Aerocell Structures, Hot Springs, AR, Miller let a contract to Bob Lee Bittick, Jr., to do certain consulting work for Aerocell. Miller then instructed Bittick to inflate the bill for his services by \$1,000 and kickback that \$1,000 to Miller. On completion of his consulting work, Bittick was paid \$3,800 by Miller. Bittick then returned \$1,000 of the payment to Miller. The Southwest FO conducted the investigation.

Embezzlement

William F. Helbling, president, chief executive officer and sole shareholder of Micro Technology, Incorporated, also known as Micro-Products Engineering Company (MPEC), was sentenced in Newark, NJ, to 97 months incarceration, a \$12,500 fine and 3 years probation. Fol-

lowing a 3-week trial, Helbling was convicted on 27 counts of conspiracy, embezzling retirement plan assets, falsifying documents required by the Federal Employee Retirement Income Security Act and wire fraud. Helbling served as administrator and trustee of the MPEC employees' profit sharing, retirement plan. The MPEC, a now defunct electronics firm, held DoD contracts. While serving as a fiduciary, Helbling embezzled the retirement plan funds of approximately \$475,000. The New Jersey RA conducted the investigation with the FBI and the Department of Labor.



Gratuities

David Stuart, a former procurement analyst at Pratt & Whitney Aircraft (Pratt & Whitney), a division of United Technologies Corporation, East Hartford, CT, was sentenced to 2 years probation, 200 hours of community service, ordered to pay a \$1,450 fine and a \$25 special assessment. Stuart previously pled guilty to making a false certification. An investigation determined Stuart had provided false information to Pratt & Whitney regarding his rela-

tionship with a Pratt & Whitney supplier, and the receipt of gifts and gratuities from the supplier. Pratt & Whitney manufactures jet engines and engine parts for military and commercial use. The Hartford RA conducted the investigation with the FBI and the IRS.

Civil Settlements

Mischarging

A settlement was reached with Q.E.D. Systems, Incorporated (QED), in which QED agreed to pay \$50,000 to the Government to resolve allegations of erroneous charges on Government contracts. The QED admitted no liability for the alleged erroneous charges. An investigation found that QED charged \$41,871 in labor and other direct costs to a delivery order on a Navy contract, when such charges were properly allocable to a delivery order on another Navy contract. The investigation also revealed that labor costs of \$8,805 were charged to a delivery order on a contract let by the Tennessee Valley Authority, when such charges were properly allocable to a delivery order on a Navy contract. The Norfolk RA conducted the investigation with the Naval Criminal Investigative Service and with audit assistance from the Defense Contract Audit Agency.

Product Substitution

A settlement agreement was reached with American Electronics Industries, Incorporated (AEL), Lansdale, PA, in which AEL agreed to pay the Govern-

ment \$116,000. The AEL allegedly failed to submit nonstandard part authorization requests to the Defense Electronics Supply Center (DESC) for approval of nonstandard parts and installed parts specifically rejected for use by DESC. The investigation determined AEL used nonstandard electronic parts on a series of four ground jammer units constructed for the Air Force. While there have been significant technical problems with the ground jammers, no deficiencies could be traced to the use of the nonstandard parts. The Northeast FO conducted the investigation with the AFOSI.

Defective Pricing

A settlement agreement was reached with the Ellis & Watts Division, Dynamics Corporation of America. Ellis & Watts, Cincinnati, OH, agreed to pay \$2.3 million to the Government to settle allegations of false claims and defective pricing on DoD contracts for which Ellis & Watts served as a prime contractor or a first tier subcontractor. A Hotline complaint prompted the investigation that subsequently led to the guilty plea of a former Ellis & Watts officer. The officer had altered labor history records that resulted in inflated costs to the Government. Ellis & Watts manufactured radar components for the DoD and foreign military assistance customers. The Dayton RA conducted the investigation with the FBI and with audit assistance from the DoD Office of Assistant Inspector General for Audits.



To report suspected criminal activity involving to Department of Defense or to comment on this newsletter please contact the nearest Defense Criminal Investigative Service office. The addresses and telephone numbers of the offices that are part of the Central Field Office are listed below.

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