



DEPARTMENT OF THE AIR FORCE

ARLINGTON, VA 22202-3258

Office of the Deputy General Counsel

VIA E-MAIL

1235 S. Clark Street  
Suite 301  
Arlington, VA 22202

Associate Deputy Chief  
Fraud Section, Criminal Division  
U.S. Department of Justice

Assistant United States Attorney  
District of Maryland  
36 South Charles Street, Fourth Floor  
Baltimore, Maryland 21201

Re: r

Dear

As you requested, the purpose of this correspondence is to assist the U.S. Department of Justice in determining whether to request that the Air Force extend the suspensions of the aforementioned Subjects for an additional six months under Federal Acquisition Regulation (FAR) 9.407-4 while the U.S. Attorney's Office for the District of Maryland (Maryland U.S. Attorney's Office) and the Air Force Office of Special Investigations (AFOSI) prepare the case for prosecution.

In terms of background, on or around [redacted] AFOSI contacted our office and notified us that Subjects were involved in a conspiracy to defraud the Air Force and, among other improper conduct, had stolen government property entrusted to them under an Air Force contract, sold such property to third parties for financial gain, and submitted false invoices to the Air Force, wherein they were paid for work not performed. Based on these allegations and the fact that there was an active criminal investigation, on [redacted], the Air Force debarring official suspended Subjects finding that adequate evidence established the existence of a cause for suspension under FAR 9.407-2, and that "immediate action" was necessary to protect the government's interests.

AFOSI's investigation continued to develop in the months that followed the Air Force's suspensions and, on \_\_\_\_\_, the Air Force debarring official superseded the suspensions dated \_\_\_\_\_, to expand upon the allegations and to suspend former Air Force personnel that were involved in the conspiracy and companies under their control, including \_\_\_\_\_ and \_\_\_\_\_.

The administrative record before the Air Force, which has been shared with the Maryland U.S. Attorney's Office, indicates that the suspended parties were engaged in a long-running conspiracy wherein they, among other improper conduct, colluded to ensure \_\_\_\_\_ was awarded a \_\_\_\_\_ million dollar contract and then defrauded the Air Force during performance of said contract by stealing government property, submitting false invoices for work not performed and grossly overstating the number of hours associated with performing certain work, and affixing data plates to aircraft property that they knew contained false statements, which jeopardized the integrity of the Air Force's aircraft and property management system.

Both before and after the Air Force's original and superseding suspensions were issued, AFOSI was engaged in regular contact with the U.S. Attorney's Office for the District of South Carolina (South Carolina U.S. Attorney's Office), where some of the improper conduct transpired, and had understood that it was interested in both criminal and civil prosecutions. Ultimately, in the Fall of 2011, AFOSI inquired into the status and when legal proceedings were expected to be initiated and was informed that any action would be delayed for several more months due to resource limitations and staffing changes.

Accordingly, after coordinating appropriately with the South Carolina U.S. Attorney's Office, in October 2011, AFOSI brought the matter to the Maryland U.S. Attorney's Office for consideration in light of the fact that \_\_\_\_\_ maintains an administrative office in \_\_\_\_\_ which processes all orders and invoices for the company. Shortly thereafter, on or about November 17, our office learned that the Maryland U.S. Attorney's Office accepted the case and, to our knowledge, is now coordinating with AFOSI in developing the case further and preparing it for ultimate prosecution.

During our communications with the Maryland U.S. Attorney's Office both before and after the case was accepted for prosecution, our office explained our involvement in this matter and the circumstances surrounding the suspensions, shared the complete administrative record in this matter, and indicated that the original suspensions of Subjects are set to expire on \_\_\_\_\_.

FAR 9.407-4 vests in the Department of Justice the authority to request that the Air Force extend the suspensions for an additional six months so that they do not end before legal proceedings are initiated, which would make [redacted] eligible for contract awards. Once legal proceedings are initiated, the suspensions may continue throughout the length of the proceedings without further restrictions or extension requests.

Please let our office know whether the Department of Justice intends to request that the Air Force extend the suspensions for an additional six months. Enclosed are the Air Force's suspension actions dated [redacted], and [redacted]. Should you need any additional information, please let me know. I can be reached via e-mail at [redacted].

Director, Suspension and Debarment Operations  
Office of the Air Force General Counsel

Memorandum



<p>Subject</p> <p>Extension of Suspension of</p>	<p>Date</p>
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<p>To</p> <p>Assistant Attorney General  United States Department of Justice  Criminal Division  950 Pennsylvania Avenue, N.W.  Washington, D.C. 20530-0001</p>	<p>From</p> <p>Assistant United States Attorney  U.S. Attorney's Office, District of MD  36 South Charles Street, Fourth Floor  Baltimore, Maryland 21201</p>
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I am the Assistant United States Attorney in the District of Maryland assigned the criminal investigation of \_\_\_\_\_ and two related companies, \_\_\_\_\_ and \_\_\_\_\_ others for alleged procurement fraud on government contracts and related offenses. The lead investigative agency is the United States Air Force Office of Special Investigations ("AFOSI"). The Defense Criminal Investigative Service is assisting in the investigation.

It is my understanding that the suspension of the above-named targets will lapse on \_\_\_\_\_, unless the Attorney General requests an extension of up to six months. The purpose of this memorandum is to request such an extension for these targets for a period of six months.

\_\_\_\_\_ are the owners of \_\_\_\_\_ which maintains an administrative office in \_\_\_\_\_ and its operations facility in \_\_\_\_\_. Evidence developed to date indicates that \_\_\_\_\_ both former members of the Air Force, created \_\_\_\_\_ to provide ground equipment refurbishment services to the Air Force, primarily in connection with a contract issued out of \_\_\_\_\_. \_\_\_\_\_ was awarded a 5 year contract to provide such services to the Air Force. The contract \_\_\_\_\_ was a firm fixed labor rate and variable cost contract with a \$5 million cap over the life of the contract.

The criminal investigation, which was initiated by the AFOSI early in January 2011, has focused on evidence that \_\_\_\_\_ as officers of \_\_\_\_\_ submitted false invoices to the government in violation of Title 18, United States Code Section 1001 (false statement) and Section 1341 (wire fraud) for work never performed and labor hours never worked, as well as evidence that \_\_\_\_\_ sold ground equipment owned by the Air Force to third parties in violation of Title 18, United States Code Section

641 (theft of government property). The investigation also has uncovered evidence that another former Air Force employee, as well as a current member of the Air Force, participated in the scheme to defraud the government.

Throughout 2011, the AFOSI issued administrative subpoenas and conducted interviews of witnesses and the targets. The AFOSI first presented the matter to this Office for possible investigation and prosecution in late October 2011. The case was authorized and assigned to me shortly thereafter in November 2011. Several weeks after receiving that authorization and assignment, I received notice that the suspension of the targets would lapse on . . . . . Given the volume of evidence and the complex nature of this matter, I anticipate conducting considerable investigative activity in the grand jury in order to adequately develop the evidence and determine appropriate charges for possible indictment. An extension of the suspension is necessary to protect the interests of the government as I conduct that investigation with the grand jury.

Accordingly, I respectfully request that the suspensions of . . . . . be extended for another six months.

The United States Attorney for the District of Maryland concurs with this request.



U.S. Department of Justice

Criminal Division

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Washington, D.C. 20530

**MEMORANDUM**

**TO:** Assistant Attorney General

**THROUGH:** Principal Deputy Assistant Attorney General

**FROM:** Chief, Fraud Section

**SUBJECT:** Extension of Suspension of

In the attached memorandum (Attachment A), the United States Attorney's Office for the District of Maryland (USAO) requests that the Assistant Attorney General for the Criminal Division seek a six-month extension to a suspension from contracting for certain companies and individuals (Attachment B). The suspension was instituted by the Department of the Air Force based upon information reported by the Air Force Office of Special Investigations (AFOSI) and the fact that there was an active criminal investigation.

are under investigation by the United States Attorney's Office for the District of Maryland (USAO) and AFOSI on allegations of defrauding the Air Force and submitting false invoices for payment during the performance of a \$ million contract, which also may have been obtained by fraud. The matter was first presented to the USAO in late October 2011 and was authorized for further investigation by that office in November 2011. The Assistant United States Attorney assigned to direct the grand jury investigation of this matter, , authored the memorandum on behalf of office requesting a six-month extension of the suspension in order that can evaluate the evidence and decide whether to initiate or recommend criminal prosecution.

AFOSI began investigating this matter after learning of the allegations in early January 2011. The Air Force suspended from contracting with the government on . (Initially, AFOSI believed that the United States Attorney's Office for the District of South Carolina would assist them in pursuing the matter. AFOSI eventually learned, however, that that office could not

pursue the investigation for at least six months and sought authorization for prosecution in the District of Maryland, which also has venue over the matter.)

The Air Force superseded its original suspension on \_\_\_\_\_, by adding \_\_\_\_\_ and their associated companies, \_\_\_\_\_ the suspension and by adding as a basis new allegations and facts developed during the ongoing AFOSI investigation. Although no statute of limitations exists for suspension or debarment proceedings, the Air Force chose to impose the suspension in this case - without waiting for indictment, conviction or judgment - because the agency determined that "immediate action" was necessary to protect the government's interests.

Pursuant to subpart 9.407-4(b) of the Federal Acquisition Regulation (FAR), the suspensions are scheduled to terminate on \_\_\_\_\_ unless a six-month extension of each suspension is requested by the Assistant Attorney General. Federal Acquisition Regulation 9.407-4(b) requires that:

[i]f legal proceedings are not initiated within 12 months After the date of the suspension notice, the suspension shall be terminated unless an Assistant Attorney General requests its extension, in which case it may be extended for an additional 6 months. In no event may a suspension extend beyond 18 months, unless legal proceedings have been initiated within that period.

Notification of the status of these suspensions was made by the Air Force to AUSA \_\_\_\_\_ by e-mail on \_\_\_\_\_ and by letter on \_\_\_\_\_ AUSA \_\_\_\_\_ has advised us that an extension is needed as to \_\_\_\_\_ so that \_\_\_\_\_ can develop the evidence and determine whether charges can be brought in the near future.

Based upon the representations in AUSA \_\_\_\_\_ memorandum, we recommend your approval of \_\_\_\_\_ request. The letter for you signature requesting this extension (Attachment C) should be forwarded to the Air Force Suspension and Debarment Official.

Attachments

Date Typed: \_\_\_\_\_ Section Chron \_\_\_\_\_



**U.S. Department of Justice**

**Criminal Division**

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*Assistant Attorney General*

*Washington, D.C. 20530*

Deputy General Counsel  
(Contractor Responsibility)  
Department of the Air Force  
1235 South Clark Street, Suite 301  
Arlington, VA 22202-3258

Re: Extension Request for Suspensions of

Dear Mr. Shaw:

This is in response to the recent letter from your office regarding the scheduled January 13, 2012, terminations of suspensions of

and a criminal investigation by the United States Attorney's Office for the District of Maryland (USAO).

In view of the fact that the USAO investigation is underway and could result in a decision to initiate legal proceedings in the near future, we are requesting a six-month extension of the suspensions in accordance with Federal Acquisition Regulation 9.407-4(b).

Thank you for your assistance in this matter.

Assistant Attorney General

cc: Assistant U.S. Attorney