

Ho-hum. Another week; another spate of stories of corruption and fraud coming out of the Department of Justice. Let's look at what transpired in the past 10 days.

HUBZone Contract Fraudulently Obtained

Hard to get more domestic than Northern Virginia.

On November 10, 2010, the DOJ [reported](#) that "CFP Group, located in McLean, Va., and its president, Roberto Clark, have agreed to pay the United States \$150,000 to settle claims that they used false statements to obtain a contract from the Department of Veterans Affairs."

"But wait!" we hear you cry. "Didn't we just see a similar story on this website?" Yes. Yes you did. And it's right [here](#). Only that was a Maryland contractor, and this is a Virginia contractor.

Much like the Maryland contractor, CFP Group allegedly "made false statements to the Small Business Administration (SBA) to obtain certification as a Historically Underutilized Business Zone (HUBZone) company". CFP Group then allegedly "used this certification to wrongfully obtain a Veterans Affairs contract for fire alarm installation."

According to the DOJ—

On the application, Clark represented that CFP Group's principal office was located in a designated HUBZone in Maryland. In fact, the United States alleged, no company employees worked at that location and Clark's office was actually in Vienna, Va., which is not a designated HUBZone location. Based on the false application, the SBA certified CFP Group as a HUBZone small business company. CFP Group then used this certification to obtain a fire alarms systems contract from the Department of Veterans Affairs, which had been set aside for a qualified HUBZone company. The company is no longer participating in the HUBZone program and has relocated to McLean, Va.

Yes, we approve of that corporate move from Vienna to McLean. Moving 3 miles down the

Beltway will definitely help with rebranding the company's image. (Note: Sarcasm.)

USAID Loses \$2 Million to International Fraudsters

Monrovia, Liberia is in Africa, far from the Washington, D.C. Beltway. It is hard to imagine a more stark contrast between the two locations. And yet the DOJ managed to link them for us, by [reporting](#) on November 16, 2010, that “Two former humanitarian aid workers were convicted today for defrauding the U.S. Agency for International Development (USAID) of \$1.9 million”. This is serious stuff, according to the DOJ—

Morris B. Fahnbulleh, 40, and Joe O. Bondo, 39, ... were each convicted on one count of conspiracy to defraud the United States, four counts of mail fraud, two counts of wire fraud and four false claims counts. Fahnbulleh was also convicted of one count of conspiracy to commit mail and wire fraud. Bondo was also convicted of two counts of witness tampering. Fahnbulleh and Bondo have been in custody since their arrests in 2009. ... At sentencing, the defendants face up to 20 years in prison.

What's the story? The DOJ reported—

After Liberia's 14-year civil war, USAID awarded a grant in 2005, through Catholic Relief Services, to World Vision, an international non-profit Christian humanitarian foundation. The grant was a two-year humanitarian project in Liberia for community reconstruction projects. Under the agreement, Fahnbulleh and Bondo were assigned to supervise World Vision employees as they assisted Liberian communities with infrastructure projects, including road, latrine and water well construction. In return for their labor, USAID, through World Vision, was supposed to then distribute food to the residents of these communities.

However, in 2008, an internal audit conducted by World Vision revealed that up to 91 percent of the food never reached its intended beneficiaries. According to the trial evidence, the defendants sold the food and pocketed the proceeds; they then instructed World Vision employees to falsify the documents used to track food distributions. The defendants also directed USAID-salaried employees to perform work on their personal compounds and further concealed these activities from World Vision headquarters, Catholic Relief Services and USAID by intimidating the World Vision employees with threats of job loss and by paying some subordinates 'hush money' to cement their silence and cooperation.

Fraud: Domestic and International

Written by Nick Sanders

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The good news in the foregoing is that World Vision, the subrecipient of the USAID grant, had an internal audit function that actually discovered the corrupt actions. The bad news is that it took them three years to do so, and that less than 10 percent of the grant funds were spent as intended.

Student Loan Fraud

Moving back to domestic acts of fraud and corruption, the DOJ [announced](#) that, on November 17, 2010, “Four student aid lenders have paid the United States a total of \$57.75 million to resolve allegations that they improperly inflated their entitlement to certain interest rate subsidies from the U.S. Department of Education in violation of the False Claims Act.”

As the DOJ reported—

Nelnet Inc. and Nelnet Educational Loan Funding Inc. have paid \$47 million to the United States. Southwest Student Services Corp. has paid \$5 million. Brazos Higher Education Authority and Brazos Higher Education Service Corp. have paid \$4 million. Panhandle Plains Higher Education Authority and Panhandle Plains Management and Servicing Corp. have paid \$1.75 million. Dr. Oberg will receive a total of \$16.65 million from these settlements.

The settlements resolve allegations ... that several lenders participating in the federal student financial aid programs created billing systems that allowed them to receive improperly inflated interest rate subsidies from the Department of Education. The United States did not intervene in this action, which was litigated by the whistleblower, but it provided assistance at many stages of the case, including during the settlement process.

Interestingly, although this False Claim Act suit was initiated by a whistleblower, the United States did not intervene in the suit (meaning that the DOJ did not take over the suit and prosecute on behalf of the U.S.). Instead, the *qui tam relator* and his attorneys led the case all the way—which we take to mean that their share of the settlement will be that much higher. Nice.

More Socioeconomic Fraud

We're not done yet. Here's [another DOJ story](#) (from Friday, November 19, 2010) about two Michigan construction firms that have agreed to pay the U.S. Government \$1.4 million to resolve allegations that they submitted False Claims related to their work at Detroit's Wayne County Metropolitan Airport (which was funded by the Federal government).

The DOJ reported the allegations as follows—

John Carlo Inc. and Angelo lafrate Construction Company, falsely claimed that they had used Disadvantaged Business Enterprises (DBEs) for part of the work on the project when they had not. The DBE program provides assistance to businesses owned by minorities, women, and other socially and economically disadvantaged individuals to enter federally-funded construction and design industries.

Under their contracts, the two firms were required to comply with the Department of Transportation's (DOT) DBE regulations and accurately report their DBE contracting to obtain and maintain the construction contracts. The companies claimed BN &M Trucking, a DBE, performed substantial work on the contracts when, in fact, the trucking firm did not and was merely a pass-through used to obtain the appearance of DBE participation.

It's Not a Commercial Company When It Receives Federal Funds

No, we're *still* not done yet. We have a final story about bribery and fraud that took place in a seemingly commercial environment. Unfortunately for James Woodason, New York Consolidated Edison (Con Ed) receives approximately \$10,000 of federal funds each year, so that made his actions Federal felonies. Oops!

As the DOJ [reported](#) on November 19, 2010, Woodason pleaded guilty to accepting approximately \$807,000 in bribes from industrial pipe suppliers and then giving them supply contracts. DOJ announced—

According to a four-count felony charge, Woodason, a former department manager of

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purchasing at Con Edison, accepted bribe payments from two industrial pipe supply vendors, in exchange for steering contracts to each of those vendors. The department said that Woodason was responsible for purchasing and awarding contracts for millions of dollars in goods and services and managing inventory on behalf of Con Edison. ...

Woodason is charged with two counts of conspiracy, each of which carries a maximum penalty of five years in prison and a \$250,000 fine. Woodason is also charged with income tax evasion, which carries a maximum penalty of five years in prison and a \$250,000 fine. The bribery count carries a maximum penalty of 10 years in prison and a \$250,000 fine. The maximum fine on each count may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine.

These charges arose from an ongoing federal antitrust investigation of bid rigging, bribery, fraud and tax-related offenses in the power generation industry

Well, that about wraps it up, gentle readers. Ten days worth of domestic and international fraud and corruption. And we're not even going to count the problems of Senior U.S. District Court Judge Jack T. Camp, Jr., who learned the hard way about attempting to purchase drugs from an FBI agent posing as a drug dealer. Because we're nice that way.