

## This is How You Do Corruption

Written by Nick Sanders  
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We've got to hand it to the U.S. Navy. They know how to do corruption big time. You know: *gangsta style* corruption. Not like those pikers in the Army or Air Force. The Navy team gets it. *This* is how you do corruption.

And we're not talking about the [little stuff](#), either. We're not talking about the cheating scandal at the Navy Nuclear Propulsion School nor are we talking about the now infamous Inchscape Shipping Services scandal (aka the "[F](#)

[t Leonard Scandal](#)") which cost at least four Navy officials their careers.

Nope. All that is history. It's water under the bridge.

Today's story is about the tainted award of "more than \$53 million" in Navy contracts for telecommunications equipment, software, and related services. It's a complicated story, and thus it's worth writing about – unlike most of the banal stories of public procurement corruption that we happen across. We hasten to note that the "facts" of this story are based on allegations contained in a Federal grand jury indictment, and that the persons named have not been convicted of any crime yet. They are entitled to be presumed innocent until actually proven guilty. That being said, we are not going to further use the word "alleged" in this article (unless it's in a quote); please just take the word as a given in what follows.

Now fasten your seatbelt because you are in for a wild ride, courtesy of this U.S. Department of Justice [press release](#). The press release discussed the actions of three individuals: (1) James Shank, a now-retired Program Manager at the Navy's Space and Naval Warfare (SPAWAR) Systems Center; John Wilkerson, who was a DoD "Account Manager" for Iron Bow Technologies, LLC, and (3) Co-Conspirator 2, who was a program manager for Advance C4 Solutions (AC4S) until he joined yet another company (Superior Communications Solutions, Inc. or SCSi). What you need to know is that Mr. Wilkerson not only worked for Iron Bow, but he was also part-owner and operator of SCSi.

So right away we understand that Mr. Wilkerson had a conflict of interest problem with respect to his employment by Iron Bow. He was trying to balance being an employee of one IT

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company while being part-owner of another IT company—both of whom were competing for work with SPAWAR. That conflict of interest would absolutely play a role in his dealings with Mr. Shank, as we will learn.

The DoJ press release describes a corrupt relationship, where Shank “improperly shared information with Wilkerson and Co-Conspirator 2, and worked with them to structure the government contracts so as to give their companies an unfair advantage over other potential bidders.” But that’s just the summary of the relationship. The devil, as they say, is in the details.

As one example of how Wilkerson tried to play both ends of his two competing interests, note the following quote from the DoJ announcement—

Shank ... initiated the procurement process on more than 11 delivery orders that purchased telecommunications equipment and furniture as part of the Air Force project. Those delivery orders were issued to Iron Bow in 2010 and 2011. Shank made sure that the delivery orders included telecommunications equipment and/or furniture that were assigned SCSI-specific part numbers, thereby guaranteeing that SCSI would receive revenue from the delivery orders. The indictment alleges that SCSI received approximately \$33 million of the \$35 million paid to Iron Bow under the various furniture and equipment delivery orders.

It seems that Wilkerson won lots of work for Iron Bow, while making sure (thanks to Shank) that his own company was a mandatory subcontractor under Iron Bow’s prime contract Delivery Orders. *Nice.*

For another example of the kind of corrupt chicanery that was going on, check out this bit—

... according to the indictment, Shank, Wilkerson, and Co-Conspirator 2 developed a request for proposal (RFP) for DO27, a contract to supply labor services for an Air Force technology project, including for overall project management services, so that AC4S would win the contract. On June 10, 2010, DO27 was awarded to AC4S in the amount of \$18,332,738.10. Wilkerson provided Co-Conspirator 2 with a quote for labor on behalf of SCSI that was less than the quote he had previously submitted on behalf of Iron Bow as their sales representative. After SCSI was selected as a subcontractor on DO27, it subcontracted with Iron Bow to provide most of the labor SCSI was supposed to provide under DO27. Wilkerson was able to earn

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income from the work Iron Bow employees were doing by having SCSI act as a middleman and charging a mark-up on Iron Bow's work. Wilkerson and Co-Conspirator 2 then directed an SCSI employee to create false invoices supposedly documenting the hours SCSI employees spent working on DO27, which were submitted to AC4S and paid by the United States government. SCSI received \$6,794,432.98 on DO27 out of the \$18 million AC4S received for providing labor for the project.

Did you get all that. Go back and read it again, slowly, to be sure.

SPAWAR awarded a Delivery Order to AC4S, using a quote from prospective subcontractor Iron Bow in the pricing. After award, Wilkerson submitted a lower bid from SCSI, thus cutting Iron Bow out of the picture. Naturally, AC4S awarded SCSI the lower-priced subcontract. But then SCSI turned around and awarded its own subcontract to Iron Bow, and Wilkerson pocketed the mark-up on the subcontract while bragging to Iron Bow about all the work he was winning for the company. In addition, somebody at SCSI doctored some fake invoices to make it seem that SCSI was adding value and not engaging in invoicing for excessive pass-through costs (which is a prohibited practice). *Nice*.

Perhaps the best part of this story happened when SCSI offered Shank, who was the SPAWAR Program Manager awarding all this work to Iron Bow, AC4S and SCSI, a job. The DoJ relates that aspect of the story thusly—

In late 2010 or early 2011, Wilkerson offered Shank employment. Shank did not disclose that fact to anyone at SPAWAR and did not recuse himself from any of the contracts that benefited Wilkerson. In February 2011, Co-Conspirator 2 left AC4S and went to work for Wilkerson at SCSI. According to the indictment, Co-Conspirator 2 received a \$500,000 bonus when he joined SCSI, which was paid for by profit Wilkerson had earned on the furniture contracts.

By March 2011, the Air Force project was not complete and there were a number of contract disputes related to the project. Shank was directed not to take any other action related to the project without the approval of a senior manager. Nevertheless, the indictment alleges that in April 2011, Shank accepted more than \$3.7 million worth of invoices that benefited SCSI without informing the senior manager. After Shank accepted employment with SCSI in May 2011, but was still working for SPAWAR, he allegedly approved more than \$1.1 million worth of invoices that benefitted SCSI and Wilkerson.

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Thus, Shank had a prohibited conflict of interest, in that he was awarding contracts and approving invoices related to those contracts, all while he had accepted employment from the same contractor to whom he had awarded the contracts and was sending him invoices to approve for payment. SCSI benefited from that relationship to the tune of \$4.8 million in invoices approved for payment—invoices approved for payment in contravention of express direction to Shank not to take any action, because of unspecified contractual disputes. *Nice.*

But employment was not the only illicit activity that tainted the relationship between Shank and Wilkerson. As the DoJ announcement stated, “In addition, Wilkerson allegedly paid Shank \$86,000 in the year after Shank retired from government service, funneling the payment through two other companies in order to conceal the source of the funds.” *Nice.*

As the DoJ press release stated: “Shank and Wilkerson face a maximum sentence of 20 years in prison for a wire fraud conspiracy; and two years in prison for offering and accepting illegal gratuities. Shank also faces a maximum sentence of 5 years for criminal conflict of interest.” *Nice.*

This is how you do it.