

## Is Corruption in the Public Procurement Process Simply a Part of the Process?

Written by Administrator

Monday, 22 February 2010 00:00

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12 February 2010 – The U.S. Department of Justice (DoJ) announces that “Lincoln Fabrics Ltd., a Canadian weaver of ballistic fabrics, and its American subsidiary, have agreed to pay the United States \$4 million to settle the United States’ lawsuit against Lincoln for violations of the False Claims Act in connection with their role in the weaving of Zylon fabric used in the manufacture and sale of defective Zylon bullet-proof vests.” According to the DoJ [press release](#) —

The United States alleged that the Zylon in these vests lost its ballistic capability quickly, especially when exposed to heat and humidity. The United States further alleged that Lincoln was aware of the defective nature of the Zylon by at least December 2001, but continued to sell Zylon for use in ballistic armor until August 2005, when the National Institute of Justice issued a report that Zylon degraded quickly in ballistic applications. At that time, all American body armor manufacturers stopped using Zylon in body armor. ... This settlement is part of a larger investigation of the body armor industry’s use of Zylon in body armor. As part of today’s agreement, Lincoln has pledged its cooperation in the Government’s on-going investigation. The United States previously has settled with six other participants in the Zylon body armor industry for over \$54 million. Additionally, the United States has pending lawsuits against Toyobo Co., Honeywell Inc., Second Chance Body Armor, Inc. and First Choice Armor

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Inc.

16 February 2010 – The DoJ [announces](#) that “An Italian subsidiary of a U.S.-based company has agreed to plead guilty and to pay a \$2.29 million criminal fine for participating in a conspiracy to rig bids, fix prices and allocate market shares of marine hose sold in the United States and elsewhere.” The DoJ press release explained—

A one-count felony charge was filed today in U.S. District Court in Houston, against Parker ITR S.r.l., a manufacturer of marine hose, headquartered in Veniano, Italy. ... Parker ITR has agreed to pay a criminal fine and to cooperate fully in the Department’s ongoing antitrust investigation. Parker ITR is the fourth company to be charged in the investigation. To date, nine individuals have been convicted for their involvement in the marine hose conspiracy. ... Parker ITR is charged with participating in the conspiracy from as early as 1999 until as late as May 2, 2007. According to the charge, Parker ITR and its co-conspirators agreed to allocate shares of the marine hose market and to use a price list for marine hose in order to implement the conspiracy. Parker ITR and its co-conspirators agreed not to compete for one another’s customers either by not submitting prices or bids, or by submitting intentionally high prices or bids, to certain customers. As part of the conspiracy, Parker ITR and its co-conspirators provided information received from customers in the United States and elsewhere about upcoming marine hose jobs to a co-conspirator who served as the coordinator of the conspiracy. Parker ITR received marine hose prices for customers in the United States and elsewhere from the coordinator of the conspiracy and then sold the marine hose to those customers at collusive and noncompetitive prices and then concealed the conspiracy through various means, including code names, private email accounts and telephone

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numbers.

Parker ITR is charged with violating the Sherman Act, which carries a maximum fine of \$100 million for corporations. The maximum fine 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.

18 February 2010 – The DoJ announces that “former military contractor Terry Hall, 43, of Snellville, Ga., pleaded guilty today to conspiracy to pay more than \$3 million in bribes to U.S. Army contracting officials stationed at Camp Arifjan, an Army base in Kuwait, and to money laundering conspiracy.” The [DoJ press release](#) continues--

Terry Hall was indicted on May 6, 2009, along with U.S. Army Major Eddie Pressley, 39, and his wife, Eurica Pressley, 37, both of Harvest, Ala. ... Hall’s companies received approximately \$21 million between 2005 and 2007. ... To obtain the contracting business and facilitate unlawful payments by other contractors, Hall admitted he made more than \$3 million in unlawful payments and provided other valuable items and services to U.S. Army contracting officials stationed at Camp Arifjan, including U.S. Army Major Eddie Pressley, and former Majors John Cockerham, James Momon and Christopher Murray, among others.

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... Hall owned and operated several companies, including Freedom Consulting and Catering Co., (FCC) and Total Government Allegiance (TGA), which provided goods and services to the U.S. Department of Defense (DoD) in connection with Operation Iraqi Freedom. Hall's companies received a Blanket Purchase Agreement (BPA) to deliver bottled water in Iraq and a contract to construct a security fence in Kuwait.

The case against Hall arose out of a wide-ranging investigation of corruption at the Camp Arifjan contracting office. To date, eight individuals including Hall have pleaded guilty for their roles in the bribery scheme. On Dec. 2, 2009, former Cockerham was sentenced to 210 months in prison and ordered to pay \$9.6 million in restitution. According to court documents, Cockerham arranged for Hall's companies to receive bottled water calls worth more than \$2.6 million, as a result of which Hall paid Cockerham approximately \$800,000.

... Momon arranged for Hall's companies to receive bottled water calls [against a Blanket Purchase Agreement] worth approximately \$6.4 million, as a result of which Hall paid Momon more than \$300,000. Momon pleaded guilty on Aug. 13, 2008, to receiving bribes from various contractors at Camp Arifjan, including Hall, and is awaiting sentencing. ... Murray arranged for Hall to receive contracts to construct security fences at Camp Arifjan, as a result of which Hall paid Murray approximately \$30,000. Murray pleaded guilty to receiving bribes from various contractors at Camp Arifjan, including Hall, and making a false statement. He was sentenced on Jan. 8, 2009, to 57 months in prison and ordered to pay \$245,000 in restitution.

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The case against Eddie Pressley and his wife, Eurica Pressley, is scheduled for trial on April 5, 2010. The indictment alleges that the Pressleys received more than \$2.8 million in money and other valuable items from Hall, in exchange for Eddie Pressley's agreement to take official actions to benefit Hall. Eurica Pressley, at her husband's request, allegedly arranged for an entity named EGP Business Solutions Inc., (EGP) to be incorporated, opened a bank account in the name of EGP, and opened bank accounts in her name in the United States, Dubai, United Arab Emirates and the Cayman Islands, all in order to receive the bribe payments.

The charge of bribery conspiracy carries a maximum prison sentence of five years and a \$250,000 fine. The money laundering conspiracy carries a maximum prison sentence of 20 years and a \$250,000 fine. According to the court documents, Hall will forfeit \$15,757,000 to the U.S. government.

19 February 2010 – The DoJ announces that “A U.S. Army contracting official was charged today with bribery and unlawful salary supplementation in connection with two schemes to solicit more than \$30,000 in bribes from an Egyptian businessman in Kuwait.” The DoJ press release [provided](#) the following details—

William Rondell Collins, 46, of Bartlett, Tenn., was charged today in a four-count indictment ... with two counts of soliciting and accepting bribes as a public official and two counts of unlawful salary supplementation from a source other than the U.S. government. According to the indictment, the U.S.

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Army Area Support Group-Kuwait (ASG-KU) is responsible for maintaining Camp Arifjan, a U.S. military installation providing support for operations in Afghanistan, Iraq and other locations in the Southwest Asian Theater. As part of those responsibilities, the ASG-KU maintains an off-post housing office in downtown Kuwait City, which procures, leases and supervises off-post housing for government employees and military service members stationed at Camp Arifjan. According to the indictment, Collins was employed in the ASG-KU's off-post housing office as a housing specialist responsible for supervising private contractors and procuring off-post apartment rentals.

The indictment alleges that, in January 2009, a company owned by an Egyptian businessman was awarded a fixed-price U.S. government contract to provide maintenance services for off-post housing managed by Collins and the ASG-KU off-post housing office. ... in July 2009, Collins allegedly solicited a monthly fee of approximately \$1,400 from the Egyptian businessman in return for Collins's agreement to provide favorable and preferential treatment and advice to the Egyptian businessman's company on the performance and renewal of the contract. Collins also allegedly agreed to conceal from his supervisors the existence and nature of the monthly fee arrangement. According to the indictment, Collins allegedly accepted five \$1,400 payments from the Egyptian businessman between July and December 2009.

The indictment also alleges that, between July and December 2009, Collins solicited a monthly payment of approximately \$962 from the Egyptian businessman in exchange for drafting and submitting an inflated off-post apartment lease to the United States for approval. According to the indictment, Collins allegedly received approximately \$5,775 from the

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Egyptian businessman on Dec. 13, 2009, representing a six-month advance on the scheme.

The bribery counts each carry a maximum penalty of 15 years in prison and a fine of the greater of \$250,000 or twice the value gained or lost. The unlawful salary supplementation counts each carry a maximum penalty of five years in prison.

Look, we don't want to go on a rant here. But seriously, this is getting out of control. Not a week goes by without a story of corruption, bribery, and/or fraud hitting the internet. We're glad these wrongdoers are getting caught, but why do so many participants in the public procurement process think they can get away with such blatant wrongdoing? Clearly, they expect to get away with it. Our question is, why? Are internal controls so loose in the Southwest Asia theater of operations? Is management oversight lax? Are the wrongdoers simply stupid? We don't think so—some of these malefactors are senior military officers. What in the world is going on?