

## 2010 Ends with More Cases of Fraud and Corruption

Written by Nick Sanders

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Before we get into 2011 stuff, we wanted to make sure we wrapped up 2010 securely. Naturally, the majority of year-end stories concerned fraud, corruption, bribery, and ancillary wrong-doing in the public procurement arena.

First, another [press release](#) from the Department of Justice, related to an “ongoing investigation related to the award of construction services contracts at Fort Carson,” a U.S. Army installation located in Colorado Springs, Colorado. According to the December 10, 2010 announcement, Wendel P. Torres pleaded guilty to a felony count of “providing an illegal gratuity to a contracting officer.” The contracting officer in question, William T. Armstrong, was “former chief of the construction division of the Fort Carson Directorate of Contracting, who was authorized to award contracts for construction projects on behalf of the U.S. Army.” In September 2010, Mr. Armstrong pleaded guilty to one count of violating the False Statements Act.

The DOJ press release provided some salacious details, which we now provide to you.

Armstrong had awarded multiple construction contracts at Fort Carson to Torres’ company. Armstrong contacted Torres in approximately April 2007 regarding construction materials he needed for his home. After some discussion, in May of 2007, Torres arranged for delivery of the construction materials to Armstrong’s home. Torres informed Armstrong that he did not need to pay for the materials and Armstrong did not pay for the materials.

According to the press release, Mr. Torres agreed to cooperate with the ongoing investigation.

Second, BAE Systems [reportedly](#) ended a six year long probe into its sale of a £28 million radar system to Tanzania by cutting a deal with Britain’s Serious Fraud Office (SFO) on December 21, 2010. The plea bargain deal was valued at £30 million, which included a fine of £500,000 and court costs of £250,000. As reported—

‘The residue of the agreed 30 million pounds will be paid by BAE to the people of Tanzania by a mechanism yet to be agreed,’ an SFO spokesman told Reuters. ... ‘The victims of this way of obtaining business, if I have correctly analysed it, are not the people of the UK, but the people

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of Tanzania,. said [Judge] Bean in his sentencing notes.

As we understand the situation, BAE Systems was within 24 hours of being sentenced for its crimes, but the Judge felt he needed more information regarding £8 million in payments from BAE Systems to “companies controlled by Tanzanian businessman Shailesh Vithlani between January 2000 and December 2005.” Judge Bean criticized the “hastily drafted” plea agreement, but finally imposed the monetary fine(s) discussed above. He specifically noted that he could not sentence BAE Systems “for an offence for which the prosecution failed to charge”—such as “false accounting or conspiracy to corrupt.” At the end of the day, BAE Systems was fined for “failing to keep proper records” of its payments to Mr. Vithlani. As part of the plea deal, BAE Systems did not admit to making any corrupt payments.

On these two notes, we end our 2010 discussions of corruption in the public procurement arena. However, you can be sure that we’ll be back in 2011, with more stories to report.