

Huntsville Small Business Indicted on 14 Fraud-Related Counts

Written by Nick Sanders

Tuesday, 06 November 2012 00:00



Recently we railed against a couple of clueless government contractors who thought they would learn about FAR and contract compliance “on the job,” so to speak, by failing DCAA audits and then promising to do better next time. *Sure*. As we reported, both Thomas Associates, Inc. (TAI) and Inframat learned some lessons while performing their government contracts, but those lessons were expensive. You might say they learned their lessons the hard way.

We opined that contractors such as TAI and Inframat would be better served by hiring business advisors with the requisite subject matter expertise. We asserted that the investment in policies, procedures, and practices—the compliance “systems” of being a government contractor—would generate returns, if only from reduced DCAA audit findings, Contracting Officer disallowances, and penalties applied to expressly unallowable costs.

That position seemed fairly straightforward to us. But then we came across a Department of Justice [press release](#) which announced that Government Technical Services and its owner Joe Terry (age 39) had been indicted on 14 counts related to an alleged \$7 million scheme to defraud the U.S. Government. As we read the press release, it occurred to us that there might be a very good reason for *not* hiring anybody with the requisite subject matter expertise. You would not want anybody who knew anything about FAR or DFARS or government regulations looking over your shoulder and asking unsettling questions while you were in the midst of intentionally violating those very same government regulations.

Joe Terry was the sole owner of Government Technical Services, which was an 8(a) contractor based in Huntsville, Alabama. In order to be an 8(a) contractor a small business must meet certain very explicit [eligibility requirements](#). For example, majority owners of the entity must meet the Small Business Administration’s definitions of a socially or economically disadvantaged category. Suffice to say, as an 8(a) program participant, Government Technical Services was classified as a small disadvantaged business, and Joe Terry had to be in one of

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the disadvantaged categories.

Joe Terry may or may not have been a member of one of the SBA's disadvantaged categories. But in filing his paperwork with the SBA and in making proposals to the Department of Defense, he (how shall we phrase this?) may have stretched the truth a little. Allegedly.

According to the DOJ press release, Terry was charged with "wire fraud, false statements to the Small Business Administration, false statements on loan applications, and money laundering." The press release stated—

From 2003 through 2008, Terry submitted fraudulent tax returns to the SBA in order to obtain and maintain certification for his company as a small disadvantaged business, according to the indictment. ... Terry submitted personal and corporate returns to the SBA for the tax years 2002 through 2007 to show he was current on filing his taxes, but he had never filed the returns with the Internal Revenue Service, according to the indictment.

But that's not all. The press release added—

To obtain one \$961,551 contract in September 2006 to install metal roofing on three buildings at Fort Polk, La., Terry submitted forged performance and payment bonds and a power of attorney from a Mississippi bond company and its parent surety company in Louisiana, the indictment states. GTS was awarded the contract, but was terminated in April 2008 for failing to perform the work and for providing fraudulent bonds.

Terry and GTS were not indicted for violations of the False Claim Act. But Terry was indicted on five counts of wire fraud, related to payments made by the Defense Finance and Accounting Service (DFAS) to GTS for the company's work at Fort Polk.

Terry was also indicted on one count of money laundering, according to the DOJ press release, which stated—

[The money laundering charge] is related to one of the charges for making a false statement on a loan application. According to the indictment, Terry induced an individual to apply for a loan and he supplied documents falsely claiming that the individual was employed by GTS. The money laundering count stems from Terry's use of the fraudulently obtained loan proceeds for his own purpose.

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So, yeah. If you set out to take advantage of the government by intentionally making false statements, forging documents, and inducing payments, we agree that you probably don't want a knowledgeable individual around who might get suspicious ... or who might end up testifying against you.

But for all the rest of you, we stand by our earlier assertions.