

Bribery and Kickbacks at the DoDOIG

Written by Nick Sanders

Tuesday, 10 October 2017 07:43 -

Here's a story, told by the U.S. Department of Justice, as documented in this Department of Justice [press release](#).

We didn't write the story. The DoJ did. So we will just quote from it.

Two companion indictments were unsealed today charging four men with participating in a bribery and kickback conspiracy involving a contract for the Department of Defense's Office of Inspector General ... According to allegations in the indictments, William S. Wilson, 52, of Florida, paid hundreds of thousands of dollars in kickbacks to Timothy R. Donelson, 56, of Georgia, and Ronald A. Capallia, Jr., 37, of Alabama, in return for Donelson and Capallia providing favorable treatment to Wilson's companies in connection with prime government contracts. At the time of the kickbacks, Donelson and Capallia were employed by a telecommunications company that had been awarded a prime contract to provide an array of voice and data services to the DOD OIG and other federal agencies. In return for the kickbacks, Donelson and Capallia provided favorable treatment to Wilson's companies, including Donelson's award of a subcontract to one of Wilson's companies to provide information-technology related support services to the DOD OIG, notwithstanding that Wilson's company focused on construction and construction management, and had no relevant expertise in information technology. Capallia similarly caused his employer repeatedly to order items such as computer software and hardware and routine office moving services from Wilson's construction company despite the lack of any legitimate business or economic reason to do so.

So two employees of the prime allegedly accepted kickbacks and, in return, awarded a subcontract to a company that had no relevant expertise.

But wait. There's more.

The indictment further alleges that Wilson paid tens of thousands of dollars in bribes to Matthew Kekoa LumHo, 42, of Fairfax Station, then employed at the DOD OIG, in return for LumHo taking official acts that benefitted Wilson's companies. According to the indictment, these actions included LumHo placing numerous fraudulent orders through the prime contract awarded to the telecommunications company employing Donelson and Capallia, thereby causing a continued flow of revenue from that telecommunications company to Wilson's

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company as its subcontractor. ... LumHo, along with Wilson and Capallia, repeatedly caused the DOD IG to issue fraudulent service orders that were used to conceal that the co-conspirators were arranging for Wilson's company to buy standard, commercially available items such as computer software, hardware, and accessories, and routine office moving services, significantly inflating the price, and then falsely billing the government as though it had been supplied with various professional services. As the indictment alleges, by doing so, the co-conspirators enabled Wilson's company to reap substantial profits from transactions where there was no legitimate business or economic reason to involve Wilson's company, and where Wilson's company provided virtually no value to the United States.

The plot gets more complicated! Now we have an employee of the DoDOIG who allegedly placed orders against the prime contract, which led to additional work for the allegedly fraudulent subcontractor.

But wait. There's more.

According to the indictment, Wilson paid the bribes and kickbacks in several forms, including hundreds of thousands of dollars paid from Wilson's companies to a side business owned by Donelson that were masked through fake invoices for non-existent work, hundreds of thousands of dollars in supposed payroll payments to Capallia's spouse, who was nominally placed on the payroll at Wilson's company despite doing virtually no work, and tens of thousands of dollars of supposed payroll payments to a relative of LumHo, for a job that LumHo's relative never actually held. Wilson further paid bribes and kickbacks by paying for part of the purchase price of two vehicles bought by Donelson, by buying two vehicles outright for Capallia, paying for more than \$60,000 worth of Caribbean cruises, hotel accommodations, and flights for Capallia, his family members, friends, friends' children, and on at least one occasion, babysitters to watch Capallia's children on one of the cruises, and paid bribes to LumHo by supplying him with electronics and high-end photography equipment.

The story includes salacious allegations of padded payrolls, fraudulent invoices, and cruises. That about covers it, right?

So let's wrap it up with the traditional conclusion to such stories.

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Each defendant has been charged with conspiracy to commit wire fraud and wire fraud. The companion indictments further charge Wilson, Capallia, and LumHo with False Claims Act violations, charge Wilson and LumHo respectively with bribery and acceptance of bribes, and charge LumHo and Donelson with false statements. The conspiracy to commit wire fraud and wire fraud charges each carry a maximum sentence of imprisonment of 20 years; the False Claims Act violations each carry a maximum sentence of imprisonment of 5 years; the bribery charges each carry a maximum sentence of imprisonment of 15 years; and the false statement charges each carry a maximum sentence of imprisonment of 5 years.

And so ends our story for today.

We are quite sure that we'll be back with similar stories in the future, because that's how things seem to roll these days.