

UNITED STATES OFFICE OF
GOVERNMENT ETHICS



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LEGAL ADVISORY

TO: Designated Agency Ethics Officials

FROM: Walter M. Shaub, Jr.
Director

SUBJECT: 2014 Conflict of Interest Prosecution Survey

The U.S. Office of Government Ethics (OGE) has completed its annual survey of prosecutions involving the conflict of interest criminal statutes (18 U.S.C. §§ 202-209) and other related statutes for the period January 1, 2014 through December 31, 2014. Information on 11 new prosecutions by the U.S. Attorneys' offices and the Antitrust Division of the Department of Justice was provided to OGE with the assistance of the Executive Office for United States Attorneys at the Department of Justice. Summaries of the prosecutions reported to OGE for past years can be found at www.oge.gov under the topic of "[Enforcement](#)."

2013 Cases Not Previously Reported

18 U.S.C. § 207

1. United States v. Jodi Ann Andres

Defendant Jodi Ann Andres was an auditor for the Defense Contract Audit Agency (DCAA). From January 2003 to September 2005, she was the primary DCAA auditor for cost proposals, labor rates and claims for the Missile Defense Agency (MDA), an agency responsible for developing, testing and fielding an integrated Ballistic Missile Defense System for the United States. During that time, the Alaska Aerospace Corporation (AAC) operated the Kodiak Launch Complex in Kodiak, Alaska, which provided support for target vehicle launches used in missile defense testing.

In September 2006, Ms. Andres left DCAA and was hired by AAC as Controller. In July 2008, Ms. Andres communicated with and appeared before the DCAA on behalf of AAC regarding the same MDA contract she had previously audited as an employee of DCAA, with the intent to influence the DCAA about the contract.

On July 18, 2013, Ms. Andres entered into a plea agreement pursuant to which she pleaded guilty to a one count Information charging her with violating 18 U.S.C. §§ 207(a)(1) and 216(a)(1). She was sentenced on July 22, 2013 to a two-year probation, a \$5,000 fine and a \$25 special assessment.

This case was handled by the United States Attorney's Office for the District of Alaska. For a copy of the Information, see [https://www.oge.gov/Web/OGEnsf/Resources/Andres+Information+\(2014\)](https://www.oge.gov/Web/OGEnsf/Resources/Andres+Information+(2014)). For a copy of the plea agreement, see [https://www.oge.gov/Web/OGEnsf/Resources/Andres+Plea+Agreement+\(2014\)](https://www.oge.gov/Web/OGEnsf/Resources/Andres+Plea+Agreement+(2014)).

18 U.S.C. § 208

2. United States v. Dennis Lerner

Defendant Dennis Lerner was an employee of the Internal Revenue Service (IRS) who worked as an International Examiner in the agency's New York office. He ultimately left the IRS to work for a company (Company A) that was being investigated by the IRS for tax-related issues. Mr. Lerner applied for, interviewed for and accepted the position with Company A during the time period in which he was representing the IRS in its investigation of and settlement discussions with Company A. After leaving his IRS employment, Mr. Lerner, acting on behalf of Company A, began lobbying former colleagues at the IRS to take actions with respect to a planned settlement of the investigation of Company A.

Mr. Lerner was initially charged with violating 18 U.S.C. §§ 207 and 208, and with two counts of violating 26 U.S.C. § 7213 (unauthorized disclosure of tax information). On March 11, 2013, he pleaded guilty to violating 18 U.S.C. § 208 and one count of violating 26 U.S.C. § 7213. He was sentenced on July 16, 2013 to a three-year probation and a \$10,000 fine.

This case was handled by the United States Attorney's Office for the Southern District of New York.

2014 Cases

18 U.S.C. § 201

3. United States v. Montrell Levelle Arnold

Defendant Montrell Levelle Arnold was employed as a Claims Representative at the Social Security Administration. On at least five occasions while he was working in this capacity, he offered to process purported one-time Supplemental Security Income (SSI) payments for beneficiaries in exchange for a fee. Once the purported benefit payment was electronically deposited into a beneficiary's account, Mr. Arnold would contact the beneficiary to confirm receipt of the payment and make arrangements to collect his "processing fee." Several

beneficiaries agreed to pay Mr. Arnold a fee to process such a payment, and at least one beneficiary paid Mr. Arnold \$1,500 to do so.

Mr. Arnold was charged with violating 18 U.S.C. § 1951(a) (robbery or extortion affecting interstate or foreign commerce (Hobbs Act)), 18 U.S.C. § 201(b)(2)(A) and 18 U.S.C. § 2 (aiding and abetting criminal activity). On January 28, 2014, Mr. Arnold pleaded guilty to one count of violating 18 U.S.C. § 1951(a) and one count of violating 18 U.S.C. § 201(b)(2)(A), and on May 1, 2014, he was sentenced to twelve months and one day of imprisonment and two years' supervisory release, and was ordered to pay \$3,473.53 in restitution and a \$200 special assessment.

This case was handled by the United States Attorney's Office for the Western District of Tennessee.

18 U.S.C. §§ 201 and 208

4. United States v. James Lee Loman

Defendant James Lee Loman worked in various civilian positions at the Tinker Air Force Base in Midwest City, Oklahoma from 1976 to 2007. In his role as an Item Manager, Mr. Loman was responsible for locating airplane parts on the surplus market and soliciting bids from suppliers. This position gave him significant influence over which suppliers would receive U.S. Air Force contracts for aircraft replacement parts because Mr. Loman decided which bids would be included in the packages sent to contracting officials.

From approximately 2002 to 2006, Mr. Loman had an arrangement with Henry McFlicker, a seller of surplus airplane parts, under which Mr. Loman received a percentage of the contracts awarded to Mr. McFlicker's companies for parts solicited by Mr. Loman. Specifically, in exchange for favorable treatment of Mr. McFlicker's business interests, Mr. Loman received payments ranging from 5% to 10% of the total amount of purchase orders. During the course of this arrangement, Mr. Loman traveled on several occasions to Florida, where Mr. McFlicker's companies were located, to collect cash payments from Mr. McFlicker.

Mr. Loman was charged with conspiracy to defraud through bribery in violation of 18 U.S.C. §§ 1343 and 1346, accepting a bribe in violation of 18 U.S.C. § 201(b)(2) and knowingly and willfully participating personally and substantially in contracts and other matters in which he had a financial interest in violation of 18 U.S.C. § 208. After a contested jury trial, Mr. Loman was found guilty of all counts on July 11, 2013. He was sentenced on January 29, 2014 to a term of imprisonment of 30 months; the court departed downward from the advisory Guidelines range of 121 to 151 months in imposing this sentence, citing 71-year-old Mr. Loman's poor health. As part of his sentence, the court also ordered Mr. Loman to pay \$843,200 in criminal monetary penalties and a \$300 special assessment.

Following sentencing, Mr. Loman appealed his conviction raising legal issues unrelated to the conflict of interest statutes. The U.S. Court of Appeals for the Tenth Circuit rejected all of

Mr. Loman's challenges and affirmed the lower court's earlier rulings in an unpublished opinion issued January 15, 2015.

This case was handled by the United States Attorney's Office for the Western District of Oklahoma. For a copy of the Superseding Indictment, see [https://www.oge.gov/Web/OGE.nsf/Resources/Loman+Superseding+Indictment+\(2014\)](https://www.oge.gov/Web/OGE.nsf/Resources/Loman+Superseding+Indictment+(2014)). For a copy of the unpublished Order and Judgment of the U.S. Court of Appeals for the Tenth Circuit affirming Mr. Loman's conviction, *United States v. Loman*, 597 Fed. Appx. 518, see [https://www.oge.gov/Web/OGE.nsf/Resources/Loman+10th+Circuit+Opinion+\(2014\)](https://www.oge.gov/Web/OGE.nsf/Resources/Loman+10th+Circuit+Opinion+(2014)).

18 U.S.C. § 207

5. Civil settlement

From the mid-1970s until he retired in 2010, the defendant served on active duty with the United States Air Force. In early 2011, the defendant became the Chief Executive Officer of Company Z, a privately-owned defense contracting company. The United States contends that from mid-2011 to mid-2012, while he was CEO of Company Z and on behalf of Company Z, the defendant engaged in improper communications or appearances before officers of the United States regarding a certain U.S. military defense program in which he participated personally and substantially while he was with the Air Force, in an effort to facilitate contracts for Company Z.

To resolve charges that he violated 18 U.S.C. § 207(a)(1), the defendant entered into a civil settlement in early 2015 pursuant to which he agreed to pay the United States \$125,000 to resolve allegations that his conduct violated conflict of interest prohibitions under federal law.

This case was handled by the United States Attorney's Office for the Eastern District of Virginia, Alexandria Office.

18 U.S.C. § 208

6. United States v. Richard San Andres

From approximately 2004 until his retirement in July 2009, defendant Richard San Andres worked for the United States Postal Service (USPS) as the Postmaster of the Middletown, New Jersey Post Office (Middletown PO). In July 2008, the Contracting Officer for the U.S. Postal Service, located in San Francisco, solicited bids for landscaping services to be provided to the Middletown PO and another nearby USPS facility. Mr. San Andres was the Contracting Officer's Representative on the contract and in this role, he was responsible for administering the contract by acting as a liaison between the USPS and the selected supplier, overseeing quality inspections and overseeing the delivery of services.

Mr. San Andres advocated that a company owned by a personal friend (Company A) receive the contract for landscaping services. Other USPS officials were unaware that

Company A was a business that leased refrigerators to college students, and that it had no prior experience providing landscaping services. Mr. San Andres' ultimate plan in trying to direct the contract to Company A was that he would personally perform the landscaping work and collect the contract payments for such services.

On July 31, 2008, the Contracting Officer awarded the landscaping contract to another bidder. Mr. San Andres subsequently sent multiple emails to the Contracting Officer objecting to this decision, including an email in which he stated that Company A had previously performed exceptional work for him, when in fact no such work had been provided. In September 2008, pursuant to Mr. San Andres' objections, USPS terminated the contract with the other company.

On March 10, 2009, the Contracting Officer awarded the landscaping contract to Company A. For the first few months of the contract, Mr. San Andres performed all of the landscaping services under the contract, and Company A provided Mr. San Andres all proceeds from the contract. On June 17, 2009, Mr. San Andres provided the Contracting Officer with a letter purportedly from Company A advising that it had been divided into two companies and that a new company (Company B) would be assuming responsibility for the contract. Unaware that Company B was one that Mr. San Andres registered and controlled, the Contracting Officer changed the name on the contract to Company B, and Mr. San Andres began receiving payments through Company B for landscaping services he provided to USPS.

Mr. San Andres retired on July 1, 2009. He was charged with violating 18 U.S.C. §§ 208(a) and 216(a)(2) for his role in the awarding of a contract in which he had a financial interest. He entered into a plea agreement dated December 5, 2013 (signed January 2, 2014) pursuant to which he pleaded guilty to the Information. He was sentenced on June 7, 2014 to a two-year probation and a \$1,000 fine.

This case was handled by the United States Attorney's Office for the District of New Jersey. For a copy of the Information, see [https://www.oge.gov/Web/OGEnsf/Resources/San+Andres+Information+\(2014\)](https://www.oge.gov/Web/OGEnsf/Resources/San+Andres+Information+(2014)). For a copy of the plea agreement, see [https://www.oge.gov/Web/OGEnsf/Resources/San+Andres+Plea+\(2014\)](https://www.oge.gov/Web/OGEnsf/Resources/San+Andres+Plea+(2014)).

7. United States v. Daniel Kriparos

From February 2009 to around December 2014, Defendant Daniel Kriparos worked as a civil System Engineer Technical Point of Contact (TPOC) for the AN-SLQ-25 (Nixie) systems at the Naval Undersea Warfare Center Division Norfolk (so-called "Nixie systems" are torpedoes that prevent enemy torpedoes from hitting Navy ships). While employed as a TPOC System Engineer, Mr. Kriparos was the owner of DJK Electronics, a company that was the sole manufacturer of several power supplies unique to Nixie systems. A prime Department of Navy contractor (Company P) purchased these power supplies from DJK Electronics and then sold the parts to the Navy for the Nixie systems.

At the same time that Mr. Kriparos was involved with the Nixie systems as part of his government duties, Mr. Kriparos' spouse was involved in selling the Nixie systems power supply

modules. Specifically, in January 2010, Mr. Kriparos' spouse signed a Teaming Agreement with another company for her to provide power supply modules to the company, which would then provide the modules to Company P for the Nixie systems. This arrangement lasted until January 2013. In April 2013, Mr. Kriparos' spouse started a sole proprietorship to produce the same power supplies for the Nixie systems, using her maiden name for the company to avoid the appearance of a conflict of interest. After forming her company, Mr. Kriparos' wife began selling the power supply modules to Company P, and continued to do so until the end of 2013. In February 2014, Mr. Kriparos advised a cooperating witness that he had been contacted by Company P to provide a quote for the power supplies, and that he provided the requested information.

Mr. Kriparos and his wife earned approximately \$185,000 in commissions from Company P for the sale of the power supply modules, excluding labor and parts. The total amount of the contracts for the power supplies from 2009 to 2014 was approximately \$412,000.

On April 8, 2015, Mr. Kriparos entered into a plea agreement pursuant to which he pleaded guilty to the single count Information charging him with a misdemeanor violation of 18 U.S.C. §§ 208(a) and 216(a)(1). He was sentenced the same day to one year of supervised probation, a \$20,000 fine and 50 hours community service. Mr. Kriparos also agreed to resign from the Navy as part of the plea agreement.

This case was handled by the United States Attorney's Office for the Eastern District of Virginia, Norfolk Office. For a copy of the plea agreement, see [https://www.oge.gov/Web/OGEnsf/Resources/Kriparos+Plea+Agreement+\(2014\)](https://www.oge.gov/Web/OGEnsf/Resources/Kriparos+Plea+Agreement+(2014)). For a copy of the statement of facts filed in connection with the plea agreement, see [https://www.oge.gov/Web/OGEnsf/Resources/Kriparos+Statement+of+Facts+\(2014\)](https://www.oge.gov/Web/OGEnsf/Resources/Kriparos+Statement+of+Facts+(2014)).

8. *United States v. Donnie Dukes*

Defendant Donnie Dukes served as a compliance officer for the District of Columbia Public Schools (DCPS) from October 2008 to October 2010. His duties included making transportation arrangements for special needs students who received educational services outside of the District of Columbia. At the same time he was employed by DCPS, Mr. Dukes owned and controlled a private company that provided, among other services, transportation to students who needed to travel from the District of Columbia to educational centers outside of the jurisdiction.

While working at DCPS, Mr. Dukes personally referred, or caused colleagues at DCPS to refer, 86 out-of-state student transports to his transportation company, for which his company received \$325,000 in payments. To facilitate the referrals from his coworkers, Mr. Dukes created aliases to conceal his involvement with the transportation company, and encouraged his DCPS colleagues to contact the aliases for transportation services. The statement of offense associated with Mr. Dukes' plea agreement indicates that legitimate transportation expenses for such services totaled \$161,378.68, leaving Mr. Dukes' company with \$163,621.32 of illegitimate profit.

Mr. Dukes' employment with DCPS ended in October 2010 as part of an overall reduction in workforce. Following his separation from DCPS, Mr. Dukes schemed to obtain non-public lists of DCPS students needing transportation services from his former colleagues. With this information, Mr. Dukes was once again able to target students who needed transportation services to his company. He also later used these lists to create 60 false invoices and supporting documentation for payments to his company in the name of DCPS students, causing \$300,000 to be paid to his company for transportation services that were never provided.

Mr. Dukes entered into a plea agreement filed in court on January 22, 2014 pursuant to which he pleaded guilty to an Information charging him with violating 18 U.S.C. §§ 208 and 1343 (wire fraud). On December 4, 2014, Mr. Dukes was sentenced to one month of incarceration on each of the two counts (to run concurrently) and three years' supervised release. Mr. Dukes also was ordered to pay restitution in the amount of \$463,621.32 and a \$200 special assessment.

This case was handled by the United States Attorney's Office for the District of Columbia. For a copy of Mr. Dukes' plea agreement, see [https://www.oge.gov/Web/OGE.nsf/Resources/Dukes+Plea+Agreement+\(2014\)](https://www.oge.gov/Web/OGE.nsf/Resources/Dukes+Plea+Agreement+(2014)). For a copy of the statement of offense filed in connection with the plea agreement, see [https://www.oge.gov/Web/OGE.nsf/Resources/Dukes+Statement+of+Offense+\(2014\)](https://www.oge.gov/Web/OGE.nsf/Resources/Dukes+Statement+of+Offense+(2014)).

18 U.S.C. § 209

9. *United States v. Kenneth Czumak*

Defendant Kenneth Czumak worked as an Information Technology Specialist with the Northport Veterans Affairs Medical Center (VAMC Northport), a facility that provides healthcare services to veterans in Long Island and surrounding areas. Throughout the relevant time period, a telecommunications firm had a subcontract valued at approximately \$6 million to provide voice and data infrastructure and related services to VAMC Northport; Mr. Czumak was the primary point of contact at VAMC Northport for the telecommunications firm. At the same time he was working for the government as an IT specialist, Mr. Czumak received salary supplements as additional compensation for his service at VAMC Northport from employees of the telecommunications firm in the form of meals, entertainment (*e.g.*, golf outings) and accommodations on trips. The initial Sealed Complaint filed against Mr. Czumak alleged that the telecommunications firm paid Mr. Czumak more than \$40,000 in benefits during the relevant time period.

On October 10, 2014, Mr. Czumak pleaded guilty to a one count Information charging him with violating 18 U.S.C. §§ 209(a) and 216(a)(1). He was sentenced on March 11, 2015 to one year of probation, a \$250 fine and a \$25 special assessment.

This case was handled by the United States Attorney's Office for the Southern District of New York. For a copy of the Information, see [https://www.oge.gov/Web/OGE.nsf/Resources/Czumak+Information+\(2014\)](https://www.oge.gov/Web/OGE.nsf/Resources/Czumak+Information+(2014)).

Other Related Offenses

18 U.S.C. § 1001

10. *United States v. Kenneth H. Nix and Velma Salinas-Nix*

Defendant Velma Salinas-Nix was Deputy Director of the Army Contracting Agency-Americas (ACA-Americas) in San Antonio, Texas, and her husband Kenneth Nix was a Chief of Contracting at ACA-Americas. Mr. Nix was also a private contracting consultant at various times before and after his government service. While they were federal government employees, Ms. Salinas-Nix and Mr. Nix had influence over the expenditure of millions of dollars in Army funds for the procurement of goods and services. As part of their duties, Ms. Salinas-Nix and Mr. Nix were responsible for ensuring that their subordinates complied with contracting and ethics laws.

Between 2002 and 2009, Mr. Nix performed consulting services for a private contractor that sought business from ACA-Americas. According to court documents, Mr. Nix received at least \$500,000 in gross income for federal contracting related to work he performed for this contractor. At the same time he was performing consulting services, as Chief of Contracting, Mr. Nix awarded approximately \$2 million in contracts to the firm that employed him. Neither spouse disclosed Mr. Nix's consulting income on their annual Confidential Financial Disclosure Forms (OGE Form 450). In an attempt to conceal Mr. Nix's consulting income, Ms. Salinas-Nix and Mr. Nix arranged to receive payment in blank money orders, cash and in-kind benefits such as home renovations. The pair signed and filed false federal income tax returns that omitted the consulting income, and structured their bank deposits in amounts under \$10,000 in order to avoid triggering currency reporting requirements.

On January 22, 2014, Mr. Nix pleaded guilty to filing a false tax return in violation of 26 U.S.C. § 7206(1); the next day, Ms. Salinas-Nix pleaded guilty to making a false statement on her OGE Form 450 in violation of 18 U.S.C. § 1001 and filing a false tax return in violation of 26 U.S.C. § 7206(1). On April 14, 2014, Ms. Salinas-Nix was sentenced to a term of 20 months' imprisonment and Mr. Nix was sentenced to a term of 30 months' imprisonment. Ms. Salinas-Nix and Mr. Nix were each ordered to pay \$153,248 in restitution.

This case was prosecuted by the Antitrust Division and the Tax Division of the Department of Justice. For a copy of the statement of facts, see [https://www.oge.gov/Web/OGE.nsf/Resources/Nix+Statement+of+Facts+\(2014\)](https://www.oge.gov/Web/OGE.nsf/Resources/Nix+Statement+of+Facts+(2014)).

5 U.S.C. app. 4, § 104 (Ethics in Government Act)

11. *United States v. Joseph Hunter*

Defendant Joseph Hunter was an employee of the House of Representatives who served as the Chief of Staff to a United States Representative until January 2009. Under the Ethics in Government Act, 5 U.S.C. app. 4, § 101, *et seq.*, Mr. Hunter was required to file public financial

disclosure reports because he was an officer or employee of the Congress who, for at least 60 days, occupied a position for which the rate of basic pay was equal to or greater than 120 percent of the minimum rate of basic pay payable for GS-15 of the General Schedule.

In a February 2009 letter, the Clerk of the House of Representatives advised Mr. Hunter that he was required to file a termination financial disclosure report, and that the deadline for filing that report was extended to March 20, 2009. Mr. Hunter failed to file the requested termination report, and the House Committee on Ethics (“Committee”) informed him of this failure by letter in September 2010. Mr. Hunter did not respond to the Committee’s letter, and in November 2011 the Committee again advised Mr. Hunter by letter that his termination financial disclosure report had still not been received; the November 2011 letter requested that Mr. Hunter submit the report and the late filing fee immediately. Mr. Hunter also failed to respond to this letter. In August 2012, the Committee informed Mr. Hunter by a letter marked “FINAL NOTICE” and sent by certified mail that he must submit the termination financial disclosure report and a late filing fee immediately, or the Committee would take appropriate action. Mr. Hunter signed the certified mail receipt, but never submitted the required termination financial disclosure report.

On March 18, 2014, the Department of Justice filed a civil complaint against Mr. Hunter asserting that Mr. Hunter violated the Ethics in Government Act by knowingly and willfully failing to file his termination financial disclosure report within the time required by the Act. Mr. Hunter failed to respond to the complaint, and on June 19, 2014, the clerk of the court entered Mr. Hunter’s default in the case. On August 27, 2014, the court entered judgment against Mr. Hunter. The court’s order noted that “Those who fail to comply with the financial-disclosure requirement are subject to a civil penalty where such failure was committed ‘knowingly and willfully.’ 5 U.S.C. app. 4 § 104(a),” and concluded that Mr. Hunter’s refusal to file was knowing and willful, given the Government’s repeated letters reminding him of his obligations. The court assessed a \$25,000 penalty instead of the maximum \$50,000 penalty, citing its lack of knowledge about Mr. Hunter’s financial circumstances.

This case was handled by the Civil Division of the Department of Justice. For a copy of the Complaint, see [https://www.oge.gov/Web/OGE.nsf/Resources/Hunter+Complaint+\(2014\)](https://www.oge.gov/Web/OGE.nsf/Resources/Hunter+Complaint+(2014)). For a copy of the court’s Memorandum Opinion and Order entering default judgment, see [https://www.oge.gov/Web/OGE.nsf/Resources/Hunter+Opinion+and+Order+\(2014\)](https://www.oge.gov/Web/OGE.nsf/Resources/Hunter+Opinion+and+Order+(2014)).