



Department of Justice

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GEORGIA TEMP COMPANY AND ITS OWNER/PRESIDENT AGREE TO PLEAD GUILTY TO MAKING A FALSE STATEMENT TO THE U.S. SMALL BUSINESS ADMINISTRATION

WASHINGTON – A Georgia temporary staffing company and its owner/president have agreed to plead guilty to making a false statement to the U.S. Small Business Administration (SBA), the Department of Justice announced today.

Patriot Services Inc. and its owner/president, Stephanie Blackmon, have each agreed to plead guilty to a one-count charge of making a false statement to the SBA, which was filed today in U.S. District Court in Kansas City, Kan. Patriot supplies temporary staffing services to various agencies and departments of the U.S. government at various locations throughout the United States. Under the separate plea agreements, which are subject to court approval, Patriot and Blackmon have agreed to cooperate with the Department's ongoing investigation.

Blackmon admitted to providing false information to the SBA so that Patriot could qualify for certification under Section 8(a) of the Small Business Act, a designation given to businesses owned and operated by socially and economically disadvantaged persons. Specifically, Blackmon concealed the involvement of her former employer, who was not a socially and economically disadvantaged person, in the management and operations of Patriot because revealing his involvement would have compromised Patriot's chances of receiving 8(a) certification. By securing 8(a) certification, Patriot qualified for government contracts specifically set aside for 8(a) companies.

According to court documents, Blackmon purchased and became the president of Patriot in November 2003. Although Blackmon was the actual owner/president of Patriot, she was primarily a figurehead whose status as an African-American was used to obtain 8(a) certification for Patriot, thereby enabling Patriot, and her former employer, to obtain government 8(a) set-aside contracts. In fact, Patriot was actually controlled and operated by her former employer and others, who operated another temporary staffing company that was not eligible for the 8(a) program. Blackmon's status as a service-disabled veteran also was used by Patriot to try to secure government contracts.

Although Blackmon knew that her former employer and others were actually running Patriot, she concealed their involvement so that the company could secure 8(a) certification. SBA regulations prohibit a former employer of any disadvantaged owner of an 8(a) applicant company from being involved in the management of the applicant company unless the SBA determines that the former employer does not have actual control of the applicant company or

the potential to control the applicant company. Based in part on Blackmon's misrepresentations, the SBA granted Patriot 8(a) status in November 2006. Shortly thereafter, Patriot entered into three 8(a) contracts to provide temporary staffing services to the Department of Veterans Affairs (VA) Consolidated Mail Outpatient Pharmacy (CMOP) in Leavenworth, Kan., one of seven such VA pharmacies throughout the nation that process and distribute medical prescriptions to veterans. Those contracts were valued at approximately \$5.4 million.

Blackmon faces a maximum sentence of two years in prison and a fine of \$5,000 for the false statement charge and Patriot faces a maximum fine of \$5,000.

Today's charges stem from an ongoing investigation into fraudulent conduct involving contract operations at CMOPs in Hines, Ill., and Leavenworth, Kan. On July 24, 2008, Joel M. Gostomelsky, the director of the Hines CMOP, pleaded guilty to conspiracy and to accepting illegal gratuities in connection with awarding temporary staffing and supply contracts. On May 5, 2009, the associate director of the Hines CMOP, William J. Brandt, his wife, Esperana A. Brandt, and her company, Pronto Staffing Inc. each pleaded guilty to being part of a conspiracy to commit wire fraud in connection with a scheme to defraud the VA and the SBA. William Brandt also pleaded guilty to wire fraud.

Today's charges reflect the Department's commitment to protecting U.S. taxpayers from procurement fraud through its creation of the National Procurement Fraud Task Force. The National Procurement Fraud Initiative, announced in October 2006, is designed to promote the early detection, prosecution and prevention of procurement fraud associated with the increase in contracting activity for national security and other government programs.

The ongoing investigation into fraudulent conduct involving the VA's CMOPs is conducted jointly by the Department of Justice Antitrust Division's Chicago Field Office and the VA's Office of Inspector General, with assistance from the SBA's Office of Inspector General; the Department of Defense, Criminal Investigative Service; and the U.S. Secret Service.

Anyone with information concerning bid rigging, fraud, kickbacks, bribery or other crimes relating to violations of federal procurement laws meant to foster competition concerning any of the VA CMOPs should contact the Chicago Field Office of the Antitrust Division at 312-353-7530 or the VA's Office of Inspector General at 1-800-488-8244. Anyone with information about fraud in any SBA program should contact the SBA's Office of Inspector General at 1-800-767-0385 or www.sba.gov/ig/.

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