



Department of Justice

U.S. Attorney's Office
Southern District of Texas

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FORMER EMPLOYEE OF HOUSTON FOOD DISTRIBUTOR CONVICTED OF FRAUD IN IRAQ FOOD CONTRACTS

(HOUSTON) - Frederick Howard Kenvin, 47, of Houston, has pleaded guilty to conspiring to defraud the United States by misrepresenting the cost to deliver food to U.S. troops in Iraq and Kuwait, acting U.S. Attorney Tim Johnson announced today.

Kenvin was as a purchasing agent for American Grocers Inc., a Houston company that has exported food products to countries in the Middle East. American Grocers furnished food it purchased in the U.S. to Public Warehousing Company (PWC) K.S.C., a Kuwaiti company that has delivered food to U.S. troops in Iraq and Kuwait under prime government contracts since May 2003.

Beginning in February 2004 and continuing until he left American Grocers in October 2005, Kenvin agreed to assist American Grocers's principal owner and operator with including and concealing overcharges in American Grocers' invoices to PWC. Ultimately, PWC presented these overcharges to the United States which the government paid.

Kenvin provided estimates of costs to truck food items across the U.S., which were used to base bogus trucking costs included in American Grocers's invoice prices. To conceal the presence of these bogus charges, in some instances Kenvin negotiated significant price reductions from American Grocers' suppliers and directed the suppliers not to invoice American Grocers at the reduced prices. The criminal information filed against Kenvin alleges Itani matched American Grocers' invoice prices to these suppliers' non-reduced invoice prices, concealing the presence of the bogus trucking charges.

In other instances, Kenvin fabricated invoices from Logistics Group International Inc. (LGI), a Houston freight-brokerage company that arranged truck shipments of food to American Grocers. Kenvin admitted to creating invoices purporting to be from LGI, by "whiting out" portions of an LGI invoice, making copies of the "whited-out" version and then filling in the invoices. The criminal information filed against Kenvin alleges Itani included trucking costs in American Grocers' invoice prices based upon these fabricated LGI invoices. Thus, American Grocers' invoice prices appeared to include trucking costs supported by LGI invoices, when in fact, such costs were not incurred by LGI or American Grocers.

Similarly, the criminal information filed against Kenvin alleges Itani used fabricated LGI invoices to support trucking overcharges related to shipments of Smuckers peanut butter. American Grocers purchased peanut butter from Smuckers to send to PWC, and Smuckers included the cost of trucking the peanut butter to Houston in the price of the peanut butter. The

information, however, alleges American Grocers included additional trucking charges in its invoice prices based upon fabricated LGI invoices.

Kenvin also assisted by obtaining inflated invoices from LGI in some transactions in which LGI did in fact arrange the trucking of food items to American Grocers in Houston. In each of these transactions, Kenvin obtained two invoices per transaction from LGI, one for the amount American Grocers would pay, and another for a higher amount, which American Grocers would not pay. The criminal information filed against Kenvin alleges Itani included trucking costs in American Grocers' invoice prices in these transactions based upon the additional, higher LGI invoices, not on the actual LGI invoices American Grocers paid.

Stephen Day, the 35-year-old President and owner of LGI, pleaded guilty on April 13, 2009, to conspiring to defraud the United States by providing these additional, higher invoices in approximately 37 transactions in 2004. Day's sentencing is set for July 10, 2009.

Itani was indicted in the Southern District of Texas in July 2007. The 46-count Indictment accuses Itani of conspiring to defraud the United States during 2004 and 2005 by falsifying at least \$1.9 million in costs American Grocers purportedly incurred trucking food products from its suppliers to its Houston warehouse. Itani is pending trial in September 2009. ***An indictment is a formal accusation of criminal conduct, not evidence. A defendant is presumed innocent unless convicted through due process of law.***

At sentencing, Kenvin faces a maximum penalty of up to 10 years imprisonment and up to a \$250,000 fine.

The investigation leading to the charges was conducted by the U.S. Department of Defense - Defense Criminal Investigative Service in Houston, the U.S. Army Criminal Investigations Major Procurement Fraud Section in San Antonio and the U.S. Department of Agriculture Office of Inspector General in Houston, members of the National Procurement Fraud Task Force created in October 2006 by the Department of Justice. The Task Force, created to promote the prevention, early detection and prosecution of procurement fraud, is chaired by Rita M. Glavin, acting Assistant Attorney General of the Criminal Division and includes the FBI, the Department of Justice Inspector General and other federal Inspectors General, defense investigative agencies, federal prosecutors from United States Attorneys' offices across the country, as well as the Criminal, Civil, Antitrust and Tax Divisions of the Department of Justice. The case is being prosecuted by Assistant U.S. Attorney Stephen L. Corso and U.S. Department of Justice Trial Attorney Jennifer R. Taylor.

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