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Owners of Local Company Sentenced for Defrauding the IRS

(Alexandria, Virginia) - Three owners of BRTRC, Inc., a 200 employee Fairfax, Virginia, based company providing services to the Department of Defense, were sentenced today in connection with a scheme to defraud the Internal Revenue Service (IRS). William E. Baum, Sr, age 59, of Fairfax County, Virginia, was sentenced to 12 months in prison and a fine of \$3,000; Gerard M. Sanz, age 46, of Arlington, Virginia, received a sentence of five months in prison, five months of home detention, and a fine of \$3,000; and Gary Neil Romstedt, age 54, of Fairfax County, was sentenced to six months of home detention and a fine of \$3,000. Chuck Rosenberg, United States Attorney for the Eastern District of Virginia, made the announcement after sentencing by United States District Judge Claude M. Hilton.

According to court documents, Baum, Sanz, and Romstedt purchased two vacation properties: one on the beach in Bethany, Delaware; and the other in Davis, West Virginia, near the Canaan Valley ski resort. The three owners put the two properties into a partnership owned by their wives. Baum, Sanz, and Romstedt then arranged for their company, BRTRC, to lease the properties under the pretense that the properties were office related, when in fact the three families used the properties exclusively as vacation properties. Court documents state that from 2000 through 2003, the failure by all three owners to report as ordinary income on their individual tax returns the value associated with the two vacation properties resulted in an aggregate tax loss to the IRS of approximately \$120,000.

In addition to defrauding the IRS, two of the three defendants, Baum and Sanz, admitted in court documents that they attempted to obtain reimbursement from the government for a percentage of their company's lease expenses for the two vacation properties. A large percentage of BRTRC's business was in the form of cost reimbursable contracts with the Department of Defense. Under cost reimbursable contracts, BRTRC was obligated annually to certify to the Defense Contract Audit Agency ("DCAA"), under penalty of perjury, the percentage of its indirect costs, such as overhead and general administrative costs, that were both

incurred in the performance of the contracts and that were “allowable” under federal procurement regulations. Beginning toward the end of 2000 and continuing through the end of 2003, Baum and Sanz not only continued to carry the cost of renting the two vacation properties on the books of BRTRC, but also, through a number of false and fraudulent certifications, caused BRTRC to include, in its incurred cost reports submitted to DCAA, a percentage of its vacation property lease payments as allowable office rental costs, when, as Baum and Sanz knew, such costs were not properly reimbursable.

As a part of the scheme to submit false incurred cost reports, Baum caused a BRTRC employee to forward misleading email to a government auditor, who had questioned the costs associated with both the West Virginia and Delaware properties. Despite Baum’s misrepresentations, government auditors eventually rejected the costs as reimbursable expenses under government procurement regulations.

“Contractors doing business with our government have strict obligations designed to protect the integrity of our procurement system and to safeguard taxpayer money,” said United States Attorney Rosenberg. “These three businessmen demonstrate the consequences of trying to game the system.”

In October 2006, Deputy Attorney General Paul J. McNulty announced the formation of a National Procurement Fraud Task Force designed to promote the early detection, identification, prevention and prosecution of procurement fraud associated with the increase in contracting activity for national security and other government programs. The Procurement Fraud Task Force chaired by Assistant Attorney General Alice S. Fisher of the Criminal Division includes the FBI, the U.S. Inspectors General community, the U.S. Attorney’s Office for the Eastern District of Virginia, and others.

The BRTRC investigation was conducted by Special Agents of the Internal Revenue Service, the FBI, the Defense Criminal Investigative Service, and the United States Army Criminal Investigations Command. Assistant United States Attorney Stephen Learned is prosecuting the case for the United States.

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