

UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA

v.

RICHARD MELTON

:  
: Hon. Tonianne J. Bongiovanni  
:  
: Mag. No. 14-5034  
:  
: **CRIMINAL COMPLAINT**

RECEIVED

JUN 5 - 2014

TONIANNE J. BONGIOV.  
U.S. MAGISTRATE JUD

I, John R. Ledden, being duly sworn, state the following is true and correct to the best of my knowledge and belief:

**SEE ATTACHMENT A**

I further state that I am a Special Agent with the U.S. Department of Defense, Defense Criminal Investigative Service, and that this Complaint is based on the following facts:

**SEE ATTACHMENT B**

continued on the attached pages and made a part hereof.

  
\_\_\_\_\_  
John R. Ledden, Special Agent  
U.S. Department of Defense  
Defense Criminal Investigative Service

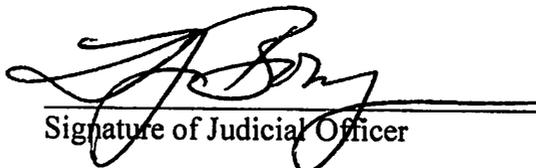
Sworn to before me and subscribed in my presence,

June 5, 2014  
Date

at

Trenton, New Jersey  
City and State

Honorable Tonianne J. Bongiovanni  
United States Magistrate Judge  
Name and Title of Judicial Officer

  
\_\_\_\_\_  
Signature of Judicial Officer

**ATTACHMENT A**

From in or around April 2003 to in or around December 2009, in Burlington County, in the District of New Jersey, and elsewhere, the defendant,

RICHARD MELTON,

knowingly and intentionally conspired and agreed with others to devise a scheme and artifice to defraud the United States Department of Defense by fraudulently providing parts pursuant to government contracts that did not conform with the contract requirements and created false documents to conceal the nonconformance by means of materially false and fraudulent pretenses, representations and promises, and did transmit and cause to be transmitted by means of wire communications in interstate and foreign commerce writings, signs and signals, contrary to Title 18, United States Code, Section 1343.

In violation of Title 18, United States Code, Section 1349.

## ATTACHMENT B

I, John R. Ledden, a Special Agent with the U.S. Department of Defense, Defense Criminal Investigative Service, having conducted an investigation and discussed this matter with other law enforcement officers who have participated in this investigation, have knowledge of the following facts:

### Department of Defense Contracting

1. The Department of Defense (“DoD”) contracts with private companies for a variety of equipment and supplies. The rules that regulate these procurements are outlined in the Federal Acquisition Register (“FAR”) and the Defense Supplement to the FAR.

2. Found within the FAR is a Qualified Product List (“QPL”). In general, when a federal agency determines that an item should not be procured without first determining that the manufacturer has the ability to correctly produce the item and has met all requirements to correctly produce it, one option is for the item to be placed on a QPL. Once placed on a QPL, the agency then publishes this requirement and encourages manufacturers to go through the qualification process so that they can be a recognized source for the item. Once a manufacturer is recognized as a qualified source for a particular item, any time that item is provided to the DoD, the item is required to have been manufactured by the qualified manufacturer. Oftentimes, certain items only have one or two qualified manufacturers.

3. The DoD publishes its bid requirements for procurement of items both through print publications and electronically through its Internet site, the DLA Internet Bid Board System (“DIBBS”).<sup>1</sup> DIBBS is a web-based application whose server is located in Ogden, Utah. DIBBS provides the capability to search for, view, and submit secure bids on federal Government requests for quotations (“RFQs”) from the Defense Logistics Agency (“DLA”), a DoD contracting entity. The DoD lists the qualified manufacturer(s) for the requested items as part of the published bid requirements.

4. The DoD announces to the contracting community its requirements and requests quotes or bids from interested contractors. The responsible DoD contracting officer or his/her subordinate buyers evaluate these quotes and a contract/purchase order is awarded. In submitting quotes to the DoD, the contractor certifies that they are providing the “exact product” sought by the DoD, meaning that the product was manufactured by a DoD recognized qualified manufacturer.

### Partz Network

5. At all times relevant to this Affidavit, defendant RICHARD MELTON was the President of Partz Network, LLC (“Partz Network”), a company located in Burlington County, New Jersey that he owned and operated from in or around April 2003 to in or around December

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<sup>1</sup> All of the instances referenced throughout this Complaint were transacted electronically through DIBBS.

2009. Partz Network was a company that contracted with the government to supply the DoD with parts on small dollar contracts. The majority of Partz Network's DoD contracts were for replacement parts for military rolling stock, trucks, trailers, and engineer equipment.

6. In 2007, DLA became aware of reports of nonconforming parts being received from Partz Network. As a result, DLA required Partz Network to provide "traceability documents" to confirm that the items it was supplying were actually being manufactured by DoD recognized qualified manufacturers. A purchase invoice showing that Partz Network actually purchased the items from the qualified manufacturers or authorized distributors was sufficient to satisfy DLA's traceability requirement.

7. Pursuant to DLA's request, Partz Network provided traceability documents and invoices to DLA regarding items provided under the DoD contracts. When DLA researched the traceability documents supplied by Partz Network, DLA learned that the documents were either altered or completely fictitious.

#### **Object of the Conspiracy**

8. The object of this conspiracy was for RICHARD MELTON and others to fraudulently induce and cause money of the U.S. Department of Defense to be sent to Partz Network's bank account in New Jersey from the DoD's Defense Finance and Accounting Service by falsely stating in bids on DoD contracts that Partz Network would provide the "exact product" required pursuant to the DoD contract, when in fact, Partz Network actually provided items that did not conform with the contract requirements because the items were not made by the DoD recognized qualified manufacturers, and by concealing those false bids by creating and submitting to the DoD false traceability documents.

#### **Manner and Means of the Conspiracy**

9. It was part of the conspiracy that defendant RICHARD MELTON and his coconspirators bid on DoD contracts and certified that Partz Network would provide the DoD with the exact product required pursuant to the contracts. Once awarded the contracts, however, RICHARD MELTON and his coconspirators provided nonconforming items to the DoD, that is, parts that did not conform to the contracts' requirements.

10. It was further part of the conspiracy that defendant RICHARD MELTON and his coconspirators concealed their fraudulent activity by providing to the DoD false traceability documents that were either altered or completely fictitious.

11. It was further part of the conspiracy that from in or around 2008 to in or around 2009 alone, Partz Network was paid over \$3 million pursuant to fraudulent contracts, including the following contracts listed below.

### *The -1719 Contract*

12. It was further part of the conspiracy that on or about April 21, 2009, Partz Network was awarded a contract ending in -1719 to supply the DoD with 1174 items known as “connecting rods, pistons” for a total contract price of \$51,303.80. Partz Network bid on this contract electronically through DIBBS and certified that the items would be the exact product required under the contract, that is, that the items would be manufactured by one of the two DoD recognized qualified manufacturers of the item. Both the RFQ and the final contract included the language that the exact product was required. Prior to being awarded the contract, a coconspirator working at Partz Network sent an e-mail to DLA attaching a letter purportedly from one of the qualified manufacturers of the item which confirmed that Partz Network purchased the item from the qualified manufacturer.

13. It was further part of the conspiracy that contrary to Partz Network’s bid and the letter sent to DLA, the items ultimately provided by Partz Network under the contract ending in -1719 were not the exact products required under the contract because the items were not manufactured by one of the two qualified manufacturers. Furthermore, the investigation revealed that the traceability document sent to DoD regarding the contract was fraudulent because it was not provided by the qualified manufacturer.

### *The -D765 Contract*

14. It was further part of the conspiracy that on or about August 27, 2009, Partz Network was awarded a contract ending in -D765 to supply the DoD with 887 items known as “bearing half sets” for a total contract price of \$16,010.35. Partz Network bid on this contract electronically through DIBBS and certified that the items would be the exact product required under the contract, that is, that the items would be manufactured by the only DoD recognized qualified manufacturer of the item. Both the RFQ and the final contract included the language that the exact product was required.

15. It was further part of the conspiracy that contrary to Partz Network’s bid and contract, the items ultimately provided by Partz Network under the contract ending in -D765 were not the exact products required under the contract because the items were not manufactured by the qualified manufacturer. DoD ultimately inspected the items and determined that the items were manufactured by an unapproved source.

### *The -0310 contract*

16. It was further part of the conspiracy that on or about November 15, 2007, Partz Network submitted a bid electronically through DIBBS to supply the DoD with 1400 items known as “oil pans” for \$53.85 per item. In submitting the bid on DIBBS, Partz Network represented that the company was providing the exact product manufactured by one of the two qualified manufacturers. Partz Network was subsequently awarded the contract ending in -0310 for 1400 oil pans for a total contract price of \$75,390. Both the RFQ and the final contract included the language that the exact product was required.

17. It was further part of the conspiracy that contrary to Partz Network's bid and contract, the items ultimately provided by Partz Network under the contract ending in -0310 were not the exact products required under the contract because the items were not manufactured by a qualified manufacturer. In fact, on November 10, 2007, five days prior to Partz Network submitting its bid for the contract on DIBBS, RICHARD MELTON sent an e-mail to a Partz Network employee with a link to the RFQ that stated the following: "Bid these (1400) HMMWW oil pans at \$53.85 and I will have them made overseas by [a company located in the People's Republic of China] or another overseas firm, 200 day lead time."

18. It was further part of the conspiracy that based on Partz Network documents related to the contract ending in -0310, Partz Network purchased the oil pans that were provided to the DoD from a company located in India in or around January 2008.

19. It was further part of the conspiracy that, for the purposes of executing and attempting to execute the scheme and artifice to defraud, a coconspirator did knowingly and intentionally cause to be transmitted in interstate commerce by means of a wire, radio, and television communication certain writings, signs, signals, pictures, and sounds, namely, interstate wire communications in the form of bids on DoD contracts, including the following wire:

DATE (ON OR ABOUT)	WIRE
August 1, 2009	A wire communication in the form of a fraudulent bid on the contract ending in -D765 from Partz Network in Burlington County, New Jersey to the DoD DLA Internet Bid Board System whose server is located in Ogden, Utah

In violation of Title 18, United States Code, Section 1343 and Title 18, United States Code, Section 2.

## FORFEITURE ALLEGATION

1. The allegations contained in this Complaint are hereby incorporated and re-alleged by reference for the purpose of noticing forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

2. The United States hereby gives notice to the defendant that, upon conviction of the offense alleged in this Complaint, the United States will seek forfeiture, in accordance with Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), of any and all property, real or personal, that constitutes or is derived from proceeds traceable to the commission of any such offenses, including but not limited to the real property listed below:

- a. 4381 W. Flamingo Road, Las Vegas, Nevada 89103
- b. 4 Heather Lane, Moorestown, New Jersey 08057
- c. 3 Miller Court, Moorestown, New Jersey 08057

3. If by any act or omission of defendant any of the property subject to forfeiture described above:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), to seek forfeiture of any other property of the defendant up to the value of the above-described forfeitable property.