

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

*United States Attorney
Laura E. Duffy*

*For further information contact: Assistant U. S. Attorneys Robert S. Huie (619) 546-7053 or
Sean P.J. Coyle (619) 546-6771*

For Immediate Release

DEFENSE CONTRACTORS SENTENCED IN NORTH ISLAND BRIBERY CASE

NEWS RELEASE SUMMARY – May 20, 2013

United States Attorney Laura E. Duffy announced today that two individuals and a corporation were sentenced by U. S. District Judge Larry Alan Burns in federal court in San Diego, in connection with their participation in a fraud and corruption scheme at Naval Air Station (NAS) North Island, in Coronado, California. The three defendants were Robert Ehnou, the owner and President of Poway defense contractor L&N Industrial Tool & Supply Inc. (“L&N”); Joanne Loehr, the owner and President of Poway defense contractor Centerline Industrial Inc. (“Centerline”); and Centerline itself, a California corporation.

According to court records, during the course of the conspiracy, the Department of Defense paid Ehnou’s company, L&N, over \$3 million. Centerline obtained over \$1.8 million in payments from the

Defense Department during the conspiracy. A third defense contractor, X&D Supply, Inc. (“X&D”), located in Carlsbad, California, was paid over \$2 million during the conspiracy.

For his role in the corruption scheme, Ehnou was sentenced to serve 36 months in federal prison and was ordered to pay \$759,937 in restitution to the United States Department of the Navy. Loehr was sentenced to serve 36 months in federal prison and was ordered to pay \$300,000 in restitution to the Navy. Centerline was sentenced to a term of five years of probation and was ordered to forfeit \$1,809,257 as proceeds of the scheme. Ehnou and Loehr were also sentenced to serve, upon their release from prison, three years of supervised release.

The three defendants were charged in an indictment with one count of engaging in a conspiracy to commit wire fraud, bribery, and money laundering, and with additional counts of bribery. The case was tried before a San Diego jury beginning on February 20, 2013. On March 4, 2013, after two days of deliberations, the jury returned guilty verdicts for each defendant as to the conspiracy count, and as to one or more bribery counts. The jury also acquitted each defendant on one or more bribery counts.

The evidence presented at trial showed that as part of the conspiracy, defense contractors provided Navy officials with a wide range of personal benefits, including cash, checks, retail gift cards, flat screen television sets, luxury massage chairs, bicycles costing thousands of dollars, model airplanes, and other items. In return, the Navy officials placed millions of dollars in government orders with the defense contractors.

Additionally, the defense contractors prepared and submitted fraudulent invoices to the Department of Defense, making it appear that they were billing the Department for goods and services within the scope of legitimate government contracts. In fact, the Defense Department was unknowingly paying for, among other things, the cost of bribes provided to the Navy officials. Compounding the cost of the fraud, the defense contractors also routinely charged a markup on the fraudulent invoices.

The defendants also engaged in money laundering by using L&N’s government contract to fraudulently bill the Navy for items that were never supplied. Then, at the request of Navy co-

conspirators, Ehnou wrote checks passing along the criminal proceeds to Centerline and Loehr, keeping a portion for itself as compensation for serving as a conduit for the criminal proceeds.

L&N, also known as Mardoc Corporation, filed for Chapter 7 bankruptcy in June 2011. Centerline remains in business.

Today's sentences bring to eleven the total number of defendants sentenced in connection with this scheme. Of the eight individuals previously convicted, five were Navy officials: Donald Vangundy, Kiet Luc, David Lindsay, Brian Delaney - all four of whom worked in the Navy's "E2/C2" aircraft program, which is dedicated to maintaining the tactical readiness of the Navy's E-2 and C-2 aircrafts - and Kenneth Ramos, who worked in North Island's Industrial Business Operations Department. These five former Navy officials admitted to receiving a total of more than \$1 million in cash, goods, and services for their personal use, all fraudulently charged to and paid for by the Department of Defense in connection with this fraud and bribery scheme.

The other four defendants previously convicted were owners or sales managers of San Diego-area defense contracting firms: John Newman was the sales manager of L&N, Paul Grubiss was the sales manager of Centerline, Michael Graven was the owner and operator of X&D, and Jesse Denome was the owner and operator of JD Machine Tech Inc.

According to United States Attorney Duffy, the investigation into possible corruption at Naval Air Station North Island was initiated on the basis of citizen complaints. These complaints followed the July 2009 indictment of six individuals on fraud and corruption charges centered at the Space and Naval Warfare Systems Command (SPAWAR). As part of the SPAWAR corruption case, the government publicized a hotline dedicated to the reporting of possible waste, fraud, and abuse related to government and military contracts. U.S. Attorney Duffy noted that the investigation is ongoing and anyone with information relating to waste, fraud, and abuse in government contracting is urged to contact the Procurement Fraud Working Group hotline at: sandiego.procurementfraud@usdoj.gov or call **1-877-NO-BRIBE**.

U.S. Attorney Duffy stated, “These defense contractors told lies, and gave bribes, to get millions of dollars in business from the United States Navy. The sentences handed down today send a message that this corruption will not be tolerated.”

Chris D. Hendrickson, Special Agent in Charge for the Defense Criminal Investigative Service, Western Field Office added, “DCIS and our law enforcement partners will continue to aggressively pursue corruption investigations involving the operations of the DoD. Abusing the public trust has serious consequences and severe punishment is appropriate for stealing resources from our soldiers, sailors, airmen, marines and the American taxpayer.”

Jose A. Gonzalez, Special Agent in Charge of IRS Criminal Investigation’s (CI) Los Angeles Field Office commented, “Robert Ehnou’s and Joanne Loehr’s bribery of trusted naval officials of more than \$1 Million in cash and other gifts, had the potential to erode the public’s basic trust in our economic system. Instead, the initial citizen complaint which led to the investigation and Ehnou’s and Loehr’s subsequent conviction, confirm the public’s refusal to tolerate criminal corruption by our public officials. Today’s sentencing brings Robert Ehnou and Joanne Loehr to justice and confirms IRS CI’s assurance to investigate fraud, corruption and money laundering crime by public officials.”

David House, Special Agent in Charge, Pacific Rim Region Office of Investigations for the General Services Administration Office of Inspector General, said, “The General Services Administration is the gateway for Federal procurement and is committed to promoting fair and honest competition among contractors. The GSAIG is committed to preserving the integrity of the Federal procurement process; bribery and kickbacks corrupt that process and will not be tolerated.”

DEFENDANTS **Case Number: 12cr3320H**

Robert Ehnou
Joanne Loehr
Centerline Industrial Inc., a California corporation

SUMMARY OF CHARGES IN CASE NO. 12CR3320-LAB

Count 1: Conspiracy to commit bribery, in violation of Title 18, United States Code, Section 371 (**all**

defendants) - Maximum penalties: 5 years in prison, \$250,000 fine, term of supervised release of three years, restitution, forfeiture, and \$100 special assessment. **(All defendants found guilty on Count One.)**

Counts 2 to 7: Bribery, in violation of Title 18, United States Code, Section 201 **(defendant Ehnou)** - Maximum penalties (per count): 15 years in prison, \$250,000 fine, term of supervised release of three years, restitution, and \$100 special assessment. **(Defendant Ehnou found guilty on Count Seven, not guilty on Counts Two through Six)**

Counts 8 to 12: Bribery, in violation of Title 18, United States Code, Section 201 **(defendants Loehr and Centerline)** - Maximum penalties (per count): 15 years in prison, \$250,000 fine, term of supervised release of three years, restitution, and \$100 special assessment. **(Defendants Loehr and Centerline found guilty on Counts Ninth through Twelve, not guilty on Count Eight)**

Case Number: 12-CR-4071-LAB Sentenced on March 4, 2012

Kenneth Paul Ramos

Case Number: 12-CR-1055-LAB Sentenced on September 10, 2012

Donald Vangundy

Kiet Luc

Brian Delaney

David Lindsay

John Newman

Michael Graven

Paul Grubiss

Case Number: 10-CR-3737-LAB Sentenced on October 12, 2011

Jesse Denome

INVESTIGATING AGENCIES

Federal Bureau of Investigation

Defense Criminal Investigative Service

Internal Revenue Service - Criminal Investigation

General Services Administration - Office of Inspector General

Naval Criminal Investigative Service