

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF FLORIDA
PENSACOLA DIVISION**

UNITED STATES OF AMERICA

vs.

Case No.

GERALD MANDEL
_____ /

FACTUAL BASIS FOR GUILTY PLEA

This statement of facts is submitted on behalf of the undersigned parties. All parties agree that if the above-captioned case were to go to trial, the government could produce competent, substantial evidence of the following facts to prove the defendant is guilty of the offenses charged in the Information to which the defendant is pleading guilty. The parties further agree that not all of the facts known from or related to this investigation are contained in this brief summary.

STATEMENT OF FACTS

The Government Publishing Office (GPO) is an agency of the Legislative Branch of the United States federal government. GPO produces and distributes information products and services for all three branches of the federal government, including U.S. passports for the Department of State as well as the official publications of Congress, the White House, and other Federal agencies in digital and print formats. In addition to being the world's largest information processing, printing, and distribution facility, GPO procures about 70 percent of its work from

commercial sources. Currently, hundreds of print-related projects are procured each day from private-sector vendors. DLUX Printing, Inc. (DLUX) is one vendor that fulfills GPO contracts to provide products to various government agencies.

DLUX utilized United States Postal Service (USPS) market mail to mail letters, postcards, and bulk mail to GPO customers. Due to the frequent amount of mail DLUX sends out, USPS has a system in place to make the process more efficient. DLUX Printing generates the Postage Statement Form 3602-R1 electronically from their software computer to provide to USPS. The form includes the mailing date, total number of pieces, total weight, and the cost. DLUX would bring the shipment to the post office for the mailing process. The USPS would generate a USPS Postal One receipt that included the mailer's declared total pieces, mailer's declared total weight, mailer's mailing date, the cost of the postage, and the payment transaction number. Each postal shipment has its own transaction number.

In April 2018, Employee #1, a longtime DLUX employee who is familiar with DLUX's process of shipping printed items on behalf of DLUX's customers, reported to GPO that the defendant, the owner of DLUX, directed employees to produce and distribute only approximately half the materials required as part of several GPO contracts, but to invoice GPO as if DLUX had completely fulfilled the contract requirements. The GPO contracts associated with these shipping

documents were made on behalf of the U.S. Department of Housing and Urban Development (HUD) for the production and mailing of information related to the Free Application for Federal Student Aid, and the District of Columbia Public Schools (DCPS) for the production and mailing of information related to school enrollment. Employee #1 provided USPS forms for two of these contracts that the defendant falsified, which showed the difference between the amounts required to be mailed and the amounts actually mailed. The defendant directed DLUX employees to produce duplicate USPS documents; one set reflecting the actual number of items mailed through the USPS and one fraudulent set for submission to GPO, indicating that the contracted number of items were mailed. DLUX's graphics department will manipulate the numbers on postal documents to make them appear to list the contracted number of items. DLUX would send GPO the falsified USPS Postal One receipt with an invoice for payment as proof of delivery for the work order.

OIG's review of GPO contracting documents and USPS shipping documents determined that the defendant had submitted approximately 115 invoices under GPO contracts from January 1, 2013, to May 15, 2018, 33 of which were contracts for direct mail services similar to the type of contract in question. Generally, contracts for direct mail services require the contractor to print items for a government agency and then mail the majority of those items directly to individual

consumers. Within those 33 direct mail contracts, 11 shipments were identified as containing falsified mailing documents.

A. Jacket 625-120: In August 2016, DLUX was contracted to produce and mail retiree newsletters for the Defense Logistics Agency (DLA). As part of their invoice documentation, DLUX claimed they mailed 24,703 newsletters to individual addresses in September 2016. USPS records for September 2016 revealed DLUX only mailed 15,349 newsletters.

B. Jackets 730-330 and 730-403: In January 2017, DLUX was contracted to produce and mail two separate monthly issues of the Tip of the Spear magazine for the United States Special Operations Command (SOCOM). As part of their invoice documentation, DLUX claimed they mailed 4,875 of each issue (a total of 9,750 issues) to individual addresses in February 2017. USPS records revealed only a total of 780 issues were mailed.

C. Jacket 399-431: An analysis of GPO's contract to produce and mail over 100,000 items for the United States Department of Housing and Urban Development revealed that DLUX claimed they mailed 25,304 items in each of four separate waves beginning in February 2017 and running through April 2017. USPS records indicated DLUX mailed four shipments of only 12,054 pieces during that time.

D. Jacket 647-865: A review was conducted of a contract to produce postcard mailers for the Department of the Army in June 2017. As a part of documents provided with its invoice, DLUX claimed they mailed 30,645 postcards to individual recipients in July 2017. USPS records revealed DLUX mailed only 23,492 postcards.

E. Jackets 400-528, 400-604, and 404-643: Under two separate contracts in August 2017, and one contract in March 2018, DLUX agreed to produce and mail enrollment information cards for District of Columbia Public Schools. In each of their three invoice submissions to GPO, DLUX claimed to have mailed 40,363, 40,364, and 54,340 items to individual addresses, respectively. USPS records revealed DLUX only mailed 25,119, 20,086, and 34,057 items to individual addresses.

Jacket	Date	Agency	Claimed Shipped	Actually Shipped	Shipping Receipt Date	Amount Paid	Loss
625-120	8/29/16	DLA	24703	15349	9/19/16	\$9,041.03	\$3,423.46
730-330	1/11/17	SOCOM	4875	780	2/16/17	\$4,900.00	\$4,116.00
730-403	1/11/17	SOCOM	4875	0	2/16/17	\$4,900.00	\$4,900.00
399-431	2/1/17	HUD	25304	12054	2/10/17	\$20,671.07	\$10,824.05
399-431	2/1/17	HUD	25304	12054	3/7/17		
399-431	2/1/17	HUD	25304	12054	3/29/17		
399-431	2/1/17	HUD	25304	12054	4/18/17	\$18,604.25	\$9,741.79
647-865	6/28/17	DA	30645	23492	7/21/17	\$13,453.81	\$3,140.32

400-528	8/10/17	DCPS	40363	25119	8/15/17	\$11,772.50	\$4,446.15
400-604	8/24/17	DCPS	40364	20086	9/14/17	\$1,661.10	\$834.50
404-643	3/14/18	DCPS	54340	34057	3/30/18	\$15,616.98	\$5,829.21
					Totals:	\$100,620.74	\$47,255.48

Elements of the Offenses

Count One – Theft of Government Money or Property, in violation of Title 18, United States Code, Section 641.

- (1) the money or property described in the indictment belonged to the United States
- (2) the Defendant [embezzled] [stole] [knowingly converted] the money or property to his own use or to someone else's use;
- (3) the Defendant knowingly and willfully intended to deprive the United States of the use or benefit of the money or property; and
- (4) the money or property had a value greater than \$1,000.

Count Two – False Claims Against the Government, in violation of Title 18, United States Code, Section 287

- (1) the Defendant knowingly presented a false claim against the United States to an agency of the United States;
- (2) the claim was based on a false or fraudulent material fact; and

(3) the Defendant acted intentionally and knew that the claim was false and fraudulent.

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Date

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GERALD MANDEL
Defendant

Date

Date