

MEMORANDUM

TO: Designated Agency Ethics Officials

FROM: Walter M. Shaub, Jr.  
Director

SUBJECT: 2012 Conflict of Interest Prosecution Survey

The Office of Government Ethics (OGE) has completed its annual survey of prosecutions involving the conflict of interest criminal statutes (18 U.S.C. §§ 202-209) for the period January 1, 2012 through December 31, 2012. Information on 11 new prosecutions by the U.S. Attorneys' offices and the Public Integrity Section of the Department of Justice's Criminal Division was provided to OGE with the assistance of the Executive Office for United States Attorneys at the Department of Justice. Summaries of the prosecutions reported to OGE for past years can be found on its website at [www.oge.gov](http://www.oge.gov) under the topic of "Enforcement."

**I. Update on Previously Reported Case**

1. *United States v. Florence A. White Eagle*, 721 F.3d 1108 (9th Cir. 2013)

The defendant, Florence A. White Eagle, appealed her conviction and sentence on several charges, including bribery, misprision of a felony, conspiracy, theft and conversion, and participating in an act affecting a personal financial interest in violation of 18 U.S.C. § 208. The U.S. Court of Appeals for the Ninth Circuit reversed her conviction on the counts charging a violation of 18 U.S.C. § 208, theft and conversion, concealment of public corruption, and conspiracy, and affirmed her convictions on the counts charging bribery and misprision of a felony.

The charges arose out of the involvement of the defendant, a Bureau of Indian Affairs Superintendent at the Fort Peck Indian Reservation, in a scheme to obtain money from a tribal credit program. The credit program provided a supplemental source of credit to tribal members. The scheme was devised by a subordinate of the defendant, Toni Greybull. Under the scheme, tribal employees in the credit program office obtained loans for themselves by submitting loan

applications in the names of relatives. The defendant and Greybull approved the loan applications. The employees divided the loan proceeds among themselves. Greybull was also a beneficiary of the loan program. She took out several loans in the names of family members, including her mother and sister.

The defendant did not take out loans in the names of her family members, but she did take out loans in her own name and was able to get a modification of one loan that was contrary to program directives. The Government argued at trial that Greybull arranged the loan modification for the defendant in exchange for the defendant's assistance in dealing with the possible discovery of the loan scheme by Greybull's mother. In 2007, Greybull's mother discovered that loans had been taken out in her name, but she did not know that her daughter had taken out the loans. The defendant stopped further inquiries from Greybull's mother by telling her that the loans had been erroneously listed in her name and that she owed nothing. The bribery conviction, which the Ninth Circuit upheld, was based on these facts.

After Greybull died in March 2008, Greybull's sister discovered the loans that had been taken out in her name. She approached the defendant and asked that the loans be paid off with proceeds from Greybull's life insurance. The Government argued at trial that Greybull was worried that inquiries about the loans would lead to an audit that would expose the fraud, thus threatening the continuance of the loan program and her job. The defendant falsely informed Greybull's husband that Greybull had outstanding loans in her name, not her sister's name. The husband paid the loans with the proceeds of the life insurance. These facts formed the basis for the Government's 18 U.S.C. § 208 charge. The Government argued that the concealment of Greybull's fraud furthered the defendant's interests because revelation of the scheme would have endangered the defendant's job and the continuation of the loan program.

The Ninth Circuit found that the interests identified by the Government were too remote from the defendant's act to constitute a violation of 18 U.S.C. § 208. The Ninth Circuit remanded the case to the district court for sentencing.

## **II. 2012 Prosecutions**

### **18 U.S.C. § 208**

#### *2. United States v. Balvinder Chadha*

The defendant, Balvinder Chadha, is a former United States Postal Service (USPS) manager. While he was employed by the USPS, he established a truck leasing company called Golden Pacific Logistics (GPL). The defendant and his wife engaged in various measures to conceal the defendant's association with GPL. From 2005 to 2009, the defendant endorsed GPL for truck leasing contracts with the USPS unit that he managed. During this time, GPL billed the USPS for expenses that were never incurred for trucks, mileage, servicing, and maintenance costs. In his position with the USPS, the defendant authorized the payments to GPL. GPL billed and received approximately \$6.4 million from the Government; \$4.4 million of this amount was the result of fraudulent billing.

On April 4, 2012, the defendant pleaded guilty to violating 18 U.S.C. § 1343 (wire fraud). Both he and his wife pleaded guilty to conspiring to violate 18 U.S.C. § 208 in violation of 18 U.S.C. § 371. On October 24, 2012 the defendant was sentenced to 51 months in prison and ordered to forfeit \$6,434,469.19. His wife was sentenced to three years of probation, including three months of home confinement.

This case was handled by the United States Attorney's Office for the Northern District of California.

### *3. United States v. Timothy Cannon*

The defendant, Timothy Cannon, was the former human resources director of the Federal Emergency Management Agency (FEMA) between June 2007 and February 2009. He was responsible for the oversight, training, and administration of FEMA's employees. In 2007, he had discussions with the Gallup Organization about FEMA hiring the firm to provide consulting services to FEMA on a human resources project. He subsequently began talking to Gallup about future employment at the firm. In August 2008, FEMA awarded the contract to Gallup. The defendant supervised the contract, which was worth \$6 million over a five-year period. In December 2008 and January 2009, the defendant requested and received additional funding for the contract. In an e-mail to an employee of Gallup on January 6, 2009, the defendant stated, "I got another 500k put on the contract. Cool huh?"

In January 2009, the defendant interviewed for a job with Gallup, and in February 2009 he received a job offer from the firm. After he accepted the job with Gallup, he continued to oversee and work on the human resources project on which Gallup was consulting.

He retired from FEMA on February 27, 2009. On his termination public financial disclosure report he indicated that he did not have any agreements or arrangements for future employment. He did not list his future employment with Gallup. On February 27, 2009, he asked Gallup to provide him with an offer letter dated after the date that he left FEMA so that it would appear that he had received the offer of employment after he had resigned from FEMA. Gallup provided such a letter. When an employee at Gallup raised concerns about the hiring of the defendant, Gallup withdrew the offer of employment.

The defendant pleaded guilty to one charge of violating 18 U.S.C. § 208 by negotiating for employment with a company that had a Government contract that he supervised. On April 9, 2013, he was sentenced to two years' probation. To settle a separate whistleblower case against him, he agreed to pay \$40,000. He has been barred from future Government contracts.

This case was handled by the United States Attorney's Office for the District of Columbia.

#### 4. *United States v. Robert Blevins and David Dangler*

The defendant, Robert Blevins, worked for the Federal Emergency Management Agency (FEMA) from 1997 to 2006. In 2004, a company named 3-D Disaster Services, Inc. that was owned and controlled by David Dangler and his wife successfully bid on a FEMA contract for the cleaning and maintenance of travel trailers at the FEMA facility in Ft. Pierce, Florida. During this time, Blevins was an accounting property officer at the Ft. Pierce facility. In 2004, he was also appointed as a contracting officer's technical representative on the contract awarded to 3-D Disaster Services, Inc. From September 2005 until he resigned from FEMA in April 2006, he was on a paid detail at the FEMA Red River Staging Facility in Texarkana, Texas, and did not review the day-to-day contract performance of 3-D Disaster Services, Inc.

In November 2005, FEMA posted on its website a contract solicitation proposal for a FEMA maintenance and deactivation contract for Plaquemines Parish, Louisiana. Under the contract, the winning bidder would clean and deactivate approximately 3,500 travel trailers that had been used in Plaquemines Parish after Hurricane Katrina. In November and December 2005, there were a series of phone calls between Blevins and Dangler about 3-D Disaster Services, Inc. bidding on this contract. In January 2006, Blevins assisted Dangler with preparing the contract proposal that 3-D Disaster Services, Inc. submitted. For example, Blevins provided him with information about the number of employees with certain qualifications that a bidder would need in order to bid successfully on the contract. Dangler incorporated this information into his proposal, stating that his company employed personnel with these qualifications. In fact, the company did not have employees with the stated qualifications. Dangler promised Blevins a percentage of the contract plus a salary if 3-D Disaster Services, Inc. was the successful bidder on the contract.

In March 2006, FEMA awarded the contract to 3-D Disaster Services, Inc. Blevins resigned from FEMA on April 14, 2006. He started working for 3-D Disaster Services, Inc. in June 2006 and continued working for them until September 2008.

On April 5 or 6, 2006, Blevins informed a FEMA ethics counselor by e-mail that he might be seeking employment with 3-D Disaster Services, Inc. Although the ethics official had not provided Blevins with a written analysis of the conflict of interest laws as applied to his situation, Blevins attended from April 7 through 9 a meeting with Dangler at which both the newly-awarded contract and Blevins' future employment with 3-D Disaster Services, Inc. were discussed. Blevins and Dangler represented to others at the meeting that Blevins had obtained permission from his ethics counselor to be present at the meeting.

Dangler died before the case against him could be resolved. On May 2, 2012, Blevins pleaded guilty to a misdemeanor violation of 18 U.S.C. § 208(a). He was sentenced on September 6, 2012, to one year of probation.

This case was handled by the United States Attorney's Office for the Eastern District of Louisiana.

5. *United States v. Bryan Alan Fox*

The defendant, Bryan Alan Fox, was a surgeon with the United States Navy at Portsmouth Naval Hospital in Virginia. He was also employed by a medical supply company to attend medical conferences and provide information about the company's products. At his job with Portsmouth Naval Hospital, the defendant ordered medical devices for the Navy hospital from this medical supplier.

The defendant pleaded guilty to violating 18 U.S.C. § 208 by participating as a Government employee in a particular matter in which he had a personal financial interest. On March 20, 2012, he was sentenced to six months' probation, 50 hours of community service, and a fine of \$3,000. He was also ordered to pay \$35,631.06 in restitution.

This case was handled by the United States Attorney's Office for the Eastern District of Virginia.

6. *United States v. Richard Buonfigli*

The defendant, Richard Buonfigli, directed Government contracts to a particular company while he was employed by the National Aeronautics and Space Administration (NASA). The defendant left NASA and went to work for that company, which paid him a large bonus for having directed contracts to them.

The defendant pleaded guilty to violating 18 U.S.C. § 208. On September 6, 2012, he was sentenced to one day in jail, one year of supervised release, a fine of \$2,500, and a special assessment of \$25.

This case was handled by the United States Attorney's Office for the Eastern District of Virginia.

7. *United States v. Michael Strayer and Karen Earle Strayer*

Michael Strayer was an employee of the Department of Energy (DOE) and a member of the Senior Executive Service. Beginning in February 2004, he served as the Director of a program called Scientific Discovery through Advanced Computing (SciDAC). SciDAC was a program office within the Office of Advanced Scientific Computing Research. Strayer had budget authority for contracts under \$20 million for his division.

In 2004, he initiated a sole source contract for Corporation A to publish a new magazine called the *SciDAC Review*. The magazine was distributed free of charge through the DOE laboratories and online through a website maintained by Corporation A. In August 2006, Strayer convinced Corporation A to hire his girlfriend and future wife, Karen Earle, as an editorial consultant and subcontractor for the *SciDAC Review* by promising to enlarge existing DOE contracts with Corporation A. Earle had no background in scientific computing or publishing.

In November 2006, Strayer directed the *SciDAC Review* editorial board, composed of the computing heads at various national laboratories, to obtain articles for the publication and provide them to Earle. She submitted the articles to the publishing company. The publishing company paid her for the articles, but personnel at the company believed that she was passing the compensation on to the authors of the articles. Instead, she kept the money that she received from the publishing company for these articles. Over the course of this arrangement, Corporation A paid Earle more than \$1 million. Earle used some of these funds for the down payment, mortgage payments, and renovations for a home that she and Strayer had purchased together. Earle received \$104,000 of this amount after she married Strayer.

In September 2009, Strayer caused Corporation A to award to a company named KJE Science Consultants (KJE) three subcontracts. Earle was the sole owner and principal of KJE. Strayer knew that Earle operated this company. E-mail traffic revealed that Strayer and Earle had sent drafts of the proposed subcontracts to each other for review before Corporation A awarded the subcontracts to KJE.

Strayer died before trial. On September 4, 2012, Earle pleaded guilty to aiding and abetting an executive branch employee, her husband, in a violation of 18 U.S.C. § 208 by participating personally and substantially through decision, approval, or otherwise in contracts in which they had a financial interest, specifically in the three subcontracts that were awarded to KJE. On December 20, 2012, she was sentenced to two years' probation and a \$10,000 fine. She was also ordered to pay \$104,000 in restitution.

This case was handled by the United States Attorney's Office for the District of Maryland.

#### 8. *United States v. Antonio Monaco*

While the defendant, Antonio Monaco, was a member of the 89th Army Reserve Command, Wichita, Kansas, he established the Foundation for Institutional Development, a non-profit corporation whose mission was to educate the public and help promote the research of knowledge transfer and institutional agility in support of public institutions. He later changed the name of the entity to Keystone Group, Inc. and incorporated it as a for-profit company whose business was to conduct research and development for software systems.

In May 2005, the defendant in his capacity as a colonel of the U.S. Army Reserves attended a presentation made by Galaxy, a U.S. Department of Defense contractor, to the 84th Training Command regarding data and video compression software. After that presentation, the defendant suggested to Galaxy that Keystone Group, Inc. be the entity to provide the exclusive software for the task.

In August 2005, Galaxy submitted a purchase request for software support services to be provided by Keystone Group, Inc. When personnel within Galaxy learned of the defendant's ownership and involvement with Keystone Group, Inc., Galaxy took steps not to direct funds

from the Government contract to the defendant's company. The defendant had already delivered the software as part of the contract, and the Army continued to use the software through Keystone Group, Inc. The defendant personally dropped the request for payment. Neither Keystone Group, Inc. nor the defendant personally received any payment for the services provided. The defendant retired from the Army in 2008.

On October 17, 2012, the defendant pleaded guilty to one count of violating 18 U.S.C. § 208(a), participating personally and substantially, though not willfully, as a Government officer in a contract in which he had a personal interest. On January 15, 2013, he was sentenced to pay a fine of \$250 and a \$25 special assessment. The defendant waived his appeal rights in the plea agreement.

This case was handled by the United States Attorney's Office for the District of Kansas.

#### *9. United States v. James Robert Whitaker*

The defendant, James Robert Whitaker, was a federal employee who worked on Maxwell Air Force Base (AFB), Alabama. Whitaker was responsible for making lodging arrangements, both on base and off base, for persons who attended courses at the Judge Advocate General (JAG) School at Maxwell AFB. Personnel attending the courses are usually housed at the Air Force inn on base. If rooms are not available at the base inn, the Air Force may allow personnel to stay in authorized commercial hotels. When personnel stay in Air Force lodging, the money generated from the stays is routed back to the Air Force to pay employee wages and to keep the facilities in good condition. When a member is authorized to stay at a commercial facility, the Air Force does not recoup this money. The cost per night at the Air Force inn was \$39, and the Government rate at the commercial hotel during the times relevant to this case was \$77 per night.

The Renaissance Hotel (a Marriott hotel) was a Government-approved commercial lodging location from approximately 2008 to the end of 2010. During this time the defendant secured lodging for personnel attending JAG school courses. The defendant also personally received reward points from the Marriott hotel chain for booking these rooms.

After the Renaissance Hotel was removed from the commercial lodging authorization list, the defendant continued to make reservations at the Renaissance Hotel for military personnel attending courses on Maxwell AFB. He also continued to receive reward points from Marriott. In 2011, he canceled reservations at the on-base inn for 110 personnel scheduled to attend a military judges seminar, 52 personnel scheduled to attend a law office manager's course, and an unspecified number of personnel scheduled to attend a staff judge advocate course. He subsequently made lodging reservations at the Renaissance Hotel for the personnel attending these courses. He personally received reward points from the Marriott hotel chain for booking these rooms.

Between 2009 and 2011 he received approximately 690,000 Marriott reward points. The Air Force lost \$90,356 in income that would have been generated if the personnel had stayed in the available rooms at the on-base inn. The defendant was charged with violating

18 U.S.C. § 208, participating personally and substantially in a Government matter (making lodging reservations for military personnel attending Government courses) in which he had a personal interest.

On October 16, 2012, the defendant pleaded guilty to violating 18 U.S.C. § 208. On May 10, 2013, he was sentenced to five years' probation and a \$5,000 fine. He was also ordered to pay \$90,356 in restitution. No appeal has been filed.

This matter was handled by the United States Attorney's Office for the Middle District of Alabama.

### **18 U.S.C. § 209**

#### *10. United States v. Gregory Cravens and United States v. Rodney Simon*

The defendants, Gregory Cravens and Rodney Simon, were pharmacists with the U.S. Department of Veterans Affairs (VA) who received payments from a private marketing firm, MSI, for participating in a drug survey by providing data from VA patient records. Evidence developed during the investigation revealed that the pharmacists may have been identifying veterans taking the drugs Epogen and Procrit and providing that information to MSI, who in turn provided that information to another drug company. The defendants falsified travel reimbursement documents to establish a basis for the payments from MSI.

On January 4, 2013, both Cravens and Simon pleaded guilty to violating 18 U.S.C. § 209 for receiving payments from a non-Government source for performing Government work. Cravens was sentenced to pay a \$23,000 fine, a \$25 special assessment, and \$4,506.30 in restitution. Simon was sentenced to pay a \$23,000 fine, a \$25 special assessment, and \$4,621.08 in restitution.

These cases were handled by the United States Attorney's Office for the District of Wyoming.

### **18 U.S.C. § 1001(a)(1) Making a Material False Statement (on a Financial Disclosure Form)**

#### *11. United States vs. Shih Chi Liu*

The defendant, Shih Chi Liu, joined the National Science Foundation (NSF) as a Program Officer in the Earthquake Mitigation Division in October 1975. By 2000, he was the Program Director of Sensors and Sensing Systems (SSS), NSF Engineering Directorate. He served in this position until approximately December 2011. The SSS Program funds professors at universities across the United States to conduct research and organize international workshops and conferences. The SSS Program had an annual budget of approximately \$5.5 million per year. Within that budget, the defendant had the discretion to award, without supervisory approval,



grants of less than \$50,000. He used that discretionary funding to support a number of international research workshops and conferences. The defendant attended many of these workshops and conferences.

As an NSF employee, the defendant was required to obtain authorization before traveling in his official capacity. In addition, if he received funding for travel to a conference from a non-Government source, he was required to report the amount and the source on the NSF Form 1311.

In his position with the NSF, the defendant was required to file annual confidential financial disclosure reports, the OGE Form 450. The defendant was required to report gifts and reimbursements for travel that he had received during the year from outside sources.

On several occasions from September 2006 through June 2010, the defendant requested that Professor A at University A arrange for that university to pay for the defendant's travel expenses to conferences in Europe. As a result of the efforts of Professor A, University A paid the defendant for his travel expenses to several international conferences. Despite the fact that his expenses had been paid, the defendant filed travel vouchers for some of the trips with the NSF for the same travel expenses. The NSF reimbursed him for many of the expenses he claimed. The reimbursements included amounts that he had previously received from University A. The defendant did not report the amounts that he received from University A on the NSF Form 1311 or on his confidential financial disclosure reports, nor did he reimburse University A.

For other trips, University A paid the defendant for his travel expenses to international conferences, but the defendant did not file travel vouchers with the NSF. The defendant did not report these gifts from University A on his confidential financial disclosure reports. The defendant also arranged for University A to pay false invoices for services that he did not provide to the university. The defendant did not report the payments as gifts on his confidential financial disclosure reports. The defendant received approximately \$15,018.69 in money and benefits from University A as a result of these activities.

On May 10, 2012, the defendant pleaded guilty to a single count of making false statements in violation of 18 U.S.C. § 1001(a)(1). He was sentenced on August 22, 2012, to one year of probation, a fine of \$5,000, and a \$100 special assessment. In addition, he was ordered to pay \$1,601.80 in restitution.

This case was handled by the United States Department of Justice, Criminal Division, Public Integrity Section, and by the U.S. Attorney's Office for the Eastern District of Virginia.

**18 U.S.C. § 1001 – Making a Material False Statement (on a Financial Disclosure Form)  
Securities Fraud**

*12. United States vs. Cheng Yi Liang*

The defendant, Cheng Yi Liang, was a chemist at the Food and Drug Administration (FDA) from 1996 to 2011. Through his work at the FDA's Office of New Drug Quality Assessment, he had access to the FDA's password-protected internal tracking system for new drug applications. The FDA uses the system to manage and report on new drug applications. The system contains non-public information about pharmaceutical companies and the experimental drugs they submit to the FDA.

From approximately July 2006 to March 2011, the defendant used information from the FDA system to trade in the securities of the pharmaceutical companies who had submitted drugs for review. He used accounts of relatives and acquaintances to execute the trades. When the FDA's information about a company's drug was positive, the defendant purchased the company's stock through the accounts. When the FDA's information about a company's drug was negative, he would sell the company's stock short. After the FDA's action on the company's drug application was made public, the defendant executed trades to profit from the change in the company's share price. Over the course of this scheme, the defendant's actions resulted in total profits gained and losses avoided of \$3,776,152.

During the time that he engaged in this scheme, the defendant was required to file annual confidential financial disclosure reports, the OGE Form 450. On the reports he was required to disclose his interest in investments that had a value greater than \$1,000 or that generated more than \$200 in income. The securities that he acquired from his insider trading met these reporting thresholds, but the defendant failed to disclose these securities on the confidential financial disclosure reports that he filed.

On October 18, 2011, the defendant pleaded guilty to one count of securities fraud and one count of making false statements on his annual confidential financial disclosure reports, a violation of 18 U.S.C. § 1001. On March 5, 2012, the defendant was sentenced to five years in prison. He had previously been ordered to forfeit the \$3.7 million he gained due to his insider trading scheme.

This case was handled by the United States Attorney's Office for the District of Maryland.