

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

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For Immediate Release

Former U.S. Navy Officer Pleads Guilty in International Bribery Scandal; Defendant Admits Overcharging the Navy by up to \$2.5 Million for Port Services in Japan

NEWS RELEASE SUMMARY – July 3, 2014

SAN DIEGO – A retired Navy official who started a second career working for defense contractor Glenn Defense Marine Asia (GDMA) pleaded guilty in federal court today, admitting that he and others overcharged the Navy by up to \$2.5 million for port services to American ships and then used some of the proceeds to treat Navy officials to lavish dinners, cocktails and entertainment.

Edmond A. Aruffo, who retired in 2007 at the rank of lieutenant commander after a military career spanning more than 20 years, is the seventh defendant charged – and the fourth to plead guilty - in the expanding corruption scandal involving GDMA’s illicit relationships with Navy officials. GDMA is a Singapore-based contractor that has serviced Navy ships and submarines in the Pacific for decades.

Aruffo, who became manager of GDMA’s Japan operations in 2009, entered his plea before U.S. Magistrate Judge Karen S. Crawford to a single count of conspiracy to defraud the United States. Aruffo’s bond was set at \$40,000; however he indicated to the court he not post bond and immediately self-surrender. A sentencing hearing was scheduled for October 3, 2014 at 9 a.m. before U.S. District Judge Janis L. Sammartino.

“This corruption scandal continues to lead us in new directions, and we continue to marvel at the extent of it,” said U.S. Attorney Laura Duffy. “If there are others who, like Edmond Aruffo, have traded integrity and honesty for greed and profit, we will find them and prosecute them.”

Assistant Attorney General Leslie R. Caldwell of the Justice Department’s Criminal Division said: “There is an old Navy saying: ‘Not self, but country.’ Edmond Aruffo instead put self before country when he stole from the U.S. Navy as part of a massive fraud and bribery scheme that cost the U.S. Navy more than \$20 million.”

“Retired U.S. Navy Lieutenant Commander Edmond A. Aruffo who previously held a position of trust and responsibility conferred on him by the Navy betrayed his former Service for personal financial gain by rigging invoices and deserves to be held accountable for his criminal actions. NCIS will continue to work with the Defense Criminal Investigative Service and the US Attorney's Office in vigorously investigating and prosecuting these crimes of corruption and fraud.”

“The guilty plea of Edward Aruffo is part of an ongoing effort by the Defense Criminal Investigative Service and its law enforcement partners to bring to justice individuals who seek to illegally enrich themselves at the expense of U.S. taxpayers,” said James R. Ives, Acting Deputy Inspector General for Investigations, U.S. Department of Defense. “While the vast majority of DoD contractors engage in lawful business practices, a few are driven by greed to break the law. Those who do will be caught and punished. American taxpayers will accept nothing less.”

According to court documents, GDMA owner and CEO Leonard Francis and his cousin, GDMA executive Alex Wisidigama, enlisted the clandestine assistance of Navy personnel - including Commander Michael Vannak Khem Misiewicz, Commander Jose Luis Sanchez, Naval Criminal Investigative Service Special Agent John Beliveau and Petty Officer First Class Daniel Layug - to provide classified ship schedules and other sensitive information about an ongoing criminal investigation of GDMA. In total, GDMA allegedly overcharged the Navy under its contracts and submitted bogus invoices for more than \$20 million. Wisidigama, Beliveau and Layug have pleaded guilty; the others are awaiting trial.

According to his Arruffo’s plea agreement, Aruffo was hired by GDMA’s Francis, who is accused of bribing Navy personnel with cash, luxury travel, expensive meals, consumer electronics and prostitutes in exchange for classified and proprietary information to win contracts and favorable treatment for his company.

According to the plea agreement, Aruffo was serving as the operations officer of the USS Blue Ridge when he met Francis. GDMA was providing “husbanding” services, such as tug boats, harbor pilots, trash removal, line handlers and transportation, to that ship and numerous others, including.

The plea agreement said Aruffo and others defrauded the U.S. Navy in connection with charges for port services provided to nearly every Navy ship that came to port in Japan from July 2009 to September 2010.

As part of its contract with the Navy, GDMA was required to coordinate various vendors to provide port services for the Navy ships. Those vendors were to submit invoices directly to the Navy, rather than through GDMA.

The plea agreement said Aruffo and others obtained letterhead from the Japanese vendors and used it to prepare bogus invoices which inflated the cost for services by tens of thousands of dollars. Aruff admitted he arranged kickbacks to GDMA from the vendors, once they were paid by the Navy.

For example, according to the plea agreement, in February of 2010 the USS Lake Erie visited the port of Sukomo, Japan. Aruffo arranged for a Japanese vendor to provide tugboats, harbor pilots, trash removal, line handlers, transportation and other services. The vendor invoiced the Navy \$145,229.77 – an amount inflated by about \$50,000, which the vendor ultimately gave to GDMA as a kickback.

A few days later, Aruffo arranged for another Japanese vendor to provide such services to the USS Blue Ridge at the port of Otaru, Japan, the plea agreement said. The vendor billed the Navy in the amount of \$432,476.14 and then kicked back \$204,961.20 to GDMA.

The ongoing investigation is being conducted by NCIS, the Defense Criminal Investigative Service and the Defense Contract Audit Agency.

The case is being prosecuted by Assistant U.S. Attorneys Mark Pletcher and Robert Huie of the Southern District of California, Director of Procurement Fraud Catherine Votaw and Trial Attorneys Brian Young and Wade Weems of the Criminal Division’s Fraud Section.

Those with information relating to fraud, corruption or waste in government contracting should contact the NCIS anonymous tip line at www.ncis.navy.mil or the DOD Hotline at www.dodig.mil/hotline, or call (800) 424-9098.

DEFENDANT

Case Number: 14cr1924

Edmond A. Aruffo

Age: 45

San Diego

SUMMARY OF CHARGES

Conspiracy to Defraud the United States, in violation of 18 U.S.C. § 371
Maximum of 5 years in prison; a maximum \$250,000 fine, or twice the gross gain or loss from the offense, whichever is greater

INVESTIGATING AGENCIES

Defense Criminal Investigative Service
Naval Criminal Investigative Service
Defense Contract Audit Agency