



THE UNITED STATES ATTORNEY'S OFFICE
WESTERN DISTRICT *of* MISSOURI

Business Owners Indicted for \$2.8 million Scheme to Defraud the Army

FOR IMMEDIATE RELEASE

May 23 2013

KANSAS CITY, Mo. – Tammy Dickinson, United States Attorney for the Western District of Missouri, announced today that a Kansas City, Mo., business owner and her employee are among three individuals and two businesses have been indicted by a federal grand jury for their roles in a \$2.8 million fraud scheme to sell counterfeit and modified computer equipment to the U.S. Army.

Virgie Dillard, 70, of Lee's Summit, Mo., her business, Missouri Office Systems and Supplies, Inc., and an employee, Roland Evans, 43, of Lee's Summit, and Mark Morgan, 45, of Newport Coast, Calif., and his business, PRM Technology Equipment, LLC, were charged in a 12-count indictment returned under seal by a federal grand jury in Kansas City on Wednesday, May 22, 2013. That indictment was unsealed and made public today upon the arrests and initial court appearances of Evans and Morgan. Dillard is expected to self-surrender to federal authorities.

The federal indictment alleges that, after receiving a series of contracts in 2009 and 2010 to provide the Army with products from Cisco Systems, Inc., Missouri Office Systems and Supplies (MOSS) instead provided counterfeit products and Cisco products that were used and modified post-manufacture and were obtained outside Cisco's authorized distribution channels.

The Army Recreation Machine Program (ARMP) contracted with MOSS to provide Cisco network hardware – such as transceivers and switches – that allows computers to communicate with other computers.

Dillard is the president and CEO of MOSS, located in Kansas City, which advertises itself as a company specializing in selling all types of office machines, including computers, software and other office furniture and supplies. Evans handled all of the contracts MOSS had for Cisco products, including all of the contracts MOSS had with ARMP for Cisco products.

MOSS fulfilled 13 contracts for ARMP between August 2009 and August 2010, totaling \$2,828,126. The largest of these was a \$2,156,548 contract for more than 2,500 Cisco parts to be shipped to 23 ARMP locations around the country. In each of these contracts, according to the indictment, MOSS sourced products from PRM Technology Equipment.

PRM, which does business through several entities created by Morgan, was headquartered in Charlotte, N. Carolina, at Morgan's former residence. (In July 2012, Morgan moved to California.) PRM holds itself out to be a wholesale distributor of Cisco and other computer products, and claims to have substantially discounted pricing on new equipment due to direct relationships with manufacturers.

Morgan allegedly obtained products from several sources that provided counterfeit Cisco products and Cisco products that were used and modified post-manufacture outside of Cisco authorized distribution channels. Morgan allegedly purchased counterfeit computer products from sources in China and Hong Kong and imported them into the United States.

According to the indictment, Morgan paid Evans a total of \$83,403 in a series of bonus payments for products ordered from PRM.

When asked by representatives from ARMP and Cisco as to the source of these products, the indictment says, Dillard and Evans falsely stated the products were new, genuine Cisco goods and services, provided from Cisco's authorized distribution channels and protected by full Cisco warranties. The indictment alleges that Dillard and Evans repeatedly made

false representations in meetings, phone conferences, and other communications to employees of the U.S. Army, ARMP, and Cisco that MOSS had supplied goods and services as required by contract.

Morgan allegedly helped Dillard and Evans conceal him as the true source of the products. Morgan, Dillard and Evans repeatedly made false representations through fraudulent documentation (including fraudulent purchase orders and invoices) that was provided to the U.S. Army, ARMP, and Cisco, according to the indictment.

The indictment quotes from a telephone call that Dillard allegedly made to Morgan on Aug. 24, 2011, in response to a Cisco employee again requesting documents to show where the products had been sourced. Dillard left Morgan a voicemail stating, "Hey Mark. This is Virgie. I need you to call me and help me figure out what to tell these people as to where I got this stuff from to keep from tell (sic) them I got it from you ... I'm hoping you would call me back and help me figure out what to say."

When an employee from ARMP notified Evans that 40 percent of the transceivers were failing, the indictment says, Evans e-mailed an employee of ARMP regarding the return of faulty items and misrepresented that Morgan was working for Cisco.

In addition to the conspiracy, the defendants are charged together in 10 counts of wire fraud. Evans is also charged with being a felon in possession of firearms. The indictment alleges that Evans, who has a prior felony conviction, was in possession of a Lorcin .380 pistol and a Winchester 12-gauge shotgun on Nov. 15, 2011.

The indictment also contains a forfeiture allegation, which would require all of the defendants to forfeit any property derived from the proceeds of the alleged offenses, including a \$2,828,126 money judgment.

Dickinson cautioned that the charges contained in this indictment are simply accusations, and not evidence of guilt. Evidence supporting the charges must be presented to a federal trial jury, whose duty is to determine guilt or innocence.

This case is being prosecuted by Assistant U.S. Attorney Matthew P. Wolesky. It was investigated by the FBI, the Department of Defense – Office of Inspector General and the Department of Homeland Security.