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Leader of International Conspiracy Convicted of Defrauding the Military and Smuggling Gold

WASHINGTON – Roger Charles Day Jr. was found guilty late yesterday of leading an international conspiracy to sell more than \$4.4 million in nonconforming and defective parts to the Department of Defense (DOD).

The guilty verdict was announced today by U.S. Attorney Neil H. MacBride of the Eastern District of Virginia; Assistant Attorney General Lanny A. Breuer of the Criminal Division; Special Agent in Charge Robert E. Craig of the Defense Criminal Investigative Service (DCIS) Mid-Atlantic Field Office; and Special Agent in Charge Edward T. Bradley of the DCIS Northeast Field Office.

After a nine-day trial, Day, 47, formerly of Long Valley, N.J., was found guilty by the jury on all counts. Day was charged in July 2008 with conspiracy to commit wire fraud, wire fraud, conspiracy to engage in international money laundering, and conspiracy to smuggle gold out of the United States. Day was extradited from Mexico in December 2010. Day's sentencing is scheduled for Dec. 15, 2011.

"The evidence showed that Mr. Day, a serial criminal, used other people like commodities to aid and assist his criminal enterprise," said U.S. Attorney MacBride. "He sent the military bogus parts to critical application items, which were essential to ensuring the performance of our warfighters and the safety of our military personnel. The verdict shows that criminals such as Mr. Day will be brought to justice even when they orchestrate complex crimes."

"Mr. Day masterminded a sophisticated and dangerous conspiracy to profit from the sale of defective parts to the U.S. military," said Assistant Attorney General Breuer. "He foolishly put our nation's security at risk for the sake of personal riches. Yesterday, a Richmond jury convicted Day for his cowardly crimes, and now he faces the prospect of significant prison time."

"Over the past two decades, Roger Day has perpetrated a number of schemes in attempts to defraud the Department of Defense," said DCIS Special Agents in Charge Craig and Bradley in a joint statement. "Yesterday's guilty verdict on all counts brings justice to bear on his criminal activity once again. It is regrettable that even at a time when this country continues to fight terrorism in a hostile environment overseas, individuals such as Day are willing to attempt to enrich themselves through corrupt activity, at the expense of our brave men and women in the Armed Forces. The Defense Criminal Investigative Service stands committed to aggressively investigate these crimes and to support their prosecution to the fullest."

According to the evidence at trial and court documents, over a four-year period Day led a conspiracy to bid on and win contracts to provide parts to the U.S. military through the Defense Logistics Agency (DLA), including through the DLA's Defense Supply Center in Richmond, Va. The parts included "critical application items," which are essential to weapons system performance or operation or to the preservation of life or safety of operation personnel. Under DOD's procurement procedures, contractors were permitted to submit electronic invoices upon shipment of the needed parts, and were paid electronically by the Defense Finance and Accounting Service.

In the course of the scheme, Day and other conspirators, operating in the United States, Canada, Mexico and Belize, formed at least 18 separate companies that posed as legitimate contractors and collectively used a computer program to win nearly 1,000 lucrative contract awards for the various companies. Day and his conspirators then shipped defective parts to the DOD on more than 300 of those contracts, receiving more than \$4.4 million in payment on parts that Day purchased for less than \$200,000. In all known cases, the parts sent by Day and his conspirators could not be used for their intended purpose.

Day and his co-conspirators compounded the fraud by concealing their identities through the use of multiple nominee companies and by assuming others' identities to operate the companies. When DOD requested proof that the companies had purchased and intended to supply the correct parts from approved manufacturers, Day and others submitted fabricated documents that falsely represented that the correct parts had been purchased. When DOD debarred several of the companies from doing further business with the military, Day directed his conspirators to discontinue bidding through those companies and instead formed and used new companies.

According to evidence presented at trial, to conceal the proceeds of the scheme and to prevent recovery, Day directed his conspirators to transfer the scheme's proceeds to offshore bank accounts and ultimately to purchase more than 3,500 ounces (more than \$2.2 million) in gold bars and coins. Day further directed his conspirators to bring the gold bars and coins to his residence in Lo De Marcos, Mexico. On one occasion he directed them to hide the gold bars in the modified bumper of a 1979 Toyota LandCruiser and on another occasion in the rear hatch door panel of a 1971 Austrian Pinzgauer military transport vehicle.

At sentencing, Day faces a maximum of 20 years in prison for each count of conspiracy to commit wire fraud and each count of wire fraud, 10 years in prison for each count of conspiracy to engage in international money laundering, and five years in prison for each count of conspiracy to smuggle gold out of the United States.

Prior to Day's trial, five defendants in this conspiracy pleaded guilty. Nathan Francis Victor Carroll was sentenced on Nov. 8, 2007, to 94 months in prison and was ordered to pay nearly \$3.7 million in restitution. Gregory Allen Stewart was sentenced on April 29, 2008, to 75 months in prison and was ordered to pay nearly \$3.7 million in restitution. Susan Crotty Neufeld was sentenced on May 14, 2008, to five years of probation and ordered to pay \$47,600 in restitution for the gold coins she received. Juerg Mehr was sentenced to five years of probation on March 27, 2009. Glenn Teal was sentenced on Sept. 22, 2009, to 90 days in prison.

This case was investigated by DCIS, with assistance from the Defense Contract Audit Agency. Assistant U.S. Attorneys John S. Davis and Elizabeth C. Wu of the Eastern District of Virginia and Special Assistant U.S. Attorney and Trial Attorney Ryan S. Faulconer of the Criminal Division's Fraud Section prosecuted the case. The Criminal Division's Office of International Affairs provided assistance.