

# ***NEWS RELEASE***



## ***OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA***

*San Diego, California*

*United States Attorney  
Laura E. Duffy*

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*For Immediate Release*

### **NAVY OFFICIAL PLEADS GUILTY IN BRIBERY SCHEME AT NAS NORTH ISLAND**

**NEWS RELEASE SUMMARY** – October 18, 2012

United States Attorney Laura E. Duffy announced today that a Navy official pled guilty this morning before United States Magistrate Judge Nita L. Stormes in connection with a bribery and corruption scheme at Naval Air Station (NAS) North Island, in Coronado, California. The official, Kenneth Paul Ramos, was employed at NAS North Island as a supervisory logistics management specialist. The plea is subject to final acceptance by United States District Judge Larry A. Burns.

As detailed in various Court documents, Joanne Loehr and Paul Grubiss (charged elsewhere), the owner and sales manager of Poway defense contractor Centerline Industrial, Inc., provided Ramos and another Navy official, Donald Vangundy, with bribes, including cash, jewelry, electronics, and theater tickets. In return, Ramos agreed that Centerline could recoup the cost of these bribes, plus a markup, by submitting fraudulent invoices that concealed the bribes and the markup. To facilitate the scheme, Ramos created fraudulent procurement requests and took other steps to guarantee that these bogus orders were funded. In total, Loehr and Grubiss provided Ramos with over \$10,000 in illicit benefits, some of which he kept for himself, and some of which he distributed to other personnel at the Navy's Fleet Readiness Center-Southwest ("FRC") at NAS North Island.

Ramos and Vangundy both worked at the FRC, a command that provides maintenance, repair, and support for United States Navy and Marine Corps aircraft. Ramos was employed in FRC's Industrial Business Operations Department, a unit responsible for, among other things, obtaining funding within the

government to support the maintenance and repair of aircraft. Vangundy was employed in FRC's "E2/C2" aircraft program, which is dedicated to maintaining the tactical readiness of the Navy's E-2 and C-2 aircraft.

Ramos pled guilty to one count of bribery, and one count of conspiracy to commit bribery. Vangundy previously pled guilty to engaging in a wire fraud conspiracy, engaging in a bribery conspiracy, and filing a false tax return. In connection with his guilty plea, Vangundy admitted to receiving over \$400,000 in improper personal benefits from defense contractors. On October 9, 2012, Vangundy was sentenced by United States District Judge Larry Alan Burns to 41 months in prison and ordered to pay restitution to the Department of the Navy and the IRS. Grubiss likewise pled guilty to engaging in a conspiracy to commit wire fraud and bribery. On October 9, 2012, Grubiss was sentenced by Judge Burns to 18 months in prison and ordered to pay restitution to the Department of the Navy.

In a related case, on August 23, 2012, an indictment was unsealed charging two additional individuals with bribery, and with conspiracy to commit bribery: Robert Ehnou, the owner of L&N; and Joanne Loehr, the owner of Centerline. The indictment also included charges against Centerline, as a corporate entity. All three of these defendants have pled not guilty, and the case is pending before Judge Burns. The public is reminded that an indictment itself is not evidence that the defendant committed the crimes charged. The defendants are presumed innocent until the Government meets its burden in court of proving guilt beyond a reasonable doubt.

According to United States Attorney Duffy, the investigation into possible corruption at Naval Air Station North Island was initiated on the basis of citizen complaints. These complaints followed the July 2009 indictment of six individuals on fraud and corruption charges centered at the Space and Naval Warfare Systems Command (SPAWAR). As part of the SPAWAR corruption case, the government publicized a hotline dedicated to the reporting of possible waste, fraud, and abuse related to government and military contracts. Navy's Fleet Readiness Center-Southwest ("FRC") at NAS North Island has been cooperating in the investigation.

U.S. Attorney Duffy noted that the investigation is ongoing and urged anyone with information relating to waste, fraud, and abuse in government contracting to contact the **FBI's Procurement Fraud Working Group Hotline at 1-877-NO-BRIBE or securely over the internet at <https://tips.fbi.gov/>**.

Chris Hendrickson, Special Agent in Charge, Defense Criminal Investigative Service, Western Field Office, said, "The Department of Defense uses internal controls to prevent these types of criminal actions involving bribery in defense contracts. In this case, misplaced trust and the checks and balances failed to prevent the crime due to extensive collusion between the employees and the defense contractors. The Defense Criminal Investigative Service places a very high priority on investigating and supporting the prosecution of corrupt employees and contractors. We will vigorously pursue those employees and contractors who choose to violate the public trust for personal gain at the expense of military programs because these schemes can compromise the safety of military service members. We will use all available investigative tools and partnerships to protect the interests of the Department of Defense and taxpayers while pursuing fraud, waste and abuse in DoD programs."

Leslie P. DeMarco, Special Agent in Charge for IRS Criminal Investigation's (CI) Los Angeles Field Office stated, "Bribery and corruption distort the market and hurt honest businesses who play by the rules. Today's actions demonstrate IRS - CI's collective efforts to enforce the law and ensure public trust. IRS - CI will continue to provide our financial expertise, alongside our law enforcement partners, in the investigation of those who attempt to commit bribery."

General Services Administration Office of Inspector General Special Agent in Charge Bryan D. Denny said, "Mr. Ramos' guilty plea is reflective of the sound case put forth against him by our dedicated investigative and prosecution team that is committed to ensuring that individuals who put themselves ahead of the American taxpayer by willfully corrupting the federal procurement process are held accountable under the law."

Ramos is released on bond. He is scheduled to be sentenced on December 17, 2012 before Judge Burns.

**DEFENDANT**

**Case Number: 12-CR-4071-LAB**

Kenneth Paul Ramos

**SUMMARY OF CHARGES OF CONVICTION**

Count 1: Conspiracy to commit bribery in violation of 18 U.S.C. § 371 - maximum penalty of 5 years in prison, \$250,000 fine, term of supervised release of three years, restitution, forfeiture, and \$100 special assessment.

Count 2: Bribery in violation of 18 U.S.C. § 201 - maximum penalty of 15 years in prison, \$250,000 fine, term of supervised release of three years, restitution, forfeiture, and \$100 special assessment.

**INVESTIGATING AGENCIES**

Federal Bureau of Investigation  
Defense Criminal Investigative Service  
Internal Revenue Service - Criminal Investigation  
Naval Criminal Investigative Service  
General Services Administration - Office of Inspector General