
A SUMMARY OF THE BLOOM/STEIN CONSPIRACY

As reported in the July 30, 2006 Quarterly Report, contractor Philip Bloom and Coalition Provisional Authority (CPA) Comptroller and Funding Officer Robert Stein pled guilty to participating in a scheme to defraud the CPA of more than \$8.6 million. Bloom faces up to 40 years in prison and a fine of \$750,000. Under the terms of his plea agreement, Bloom must pay \$3.6 million in restitution. Stein admitted to stealing \$2 million and taking bribes to award contracts to Bloom; he faces up to 30 years in prison. This quarter, the court set a sentencing date for Bloom on February 9, 2007, and for Stein on January 12, 2007.

In addition, LTC Bruce Hopfengardner, USAR, was convicted this quarter as part of the Bloom/Stein conspiracy. Hopfengardner conspired with Stein to direct millions of dollars in construction contracts to a company owned by Bloom. Hopfengardner also gave Bloom material information to ensure that Bloom's company received the contracts.

In return for this information, Bloom rewarded Hopfengardner with an initial \$100,000 bonus and \$10,000 per month, as well as several other enticements. On August 25, 2006, Hopfengardner pled guilty to two conspiracy charges in the scheme, including conspiracy to commit wire fraud and to

launder funds. Hopfengardner also admitted to smuggling stolen currency into the United States in March 2004 when he returned from Iraq on leave. He faces up to 20 years in prison, a 5-year term of supervised release, and a \$500,000 fine.

A SIGIR audit of the finances of CPA South Central Region (CPA-SC) in late 2004 found numerous indicators of financial irregularities, including fraud, bid-rigging, and bribery on many CPA-SC contracts. Further audits, inspections, and investigative work also discovered these irregularities:

- The co-conspirators would submit artificially high bids from some of their companies to make the bids of their other companies appear more competitive in the awarding process.
- Other co-conspirators would certify the progress and completion of the projects.
- Contract values were set at under \$500,000 to avoid review by CPA-Civil Affairs (CPA-CA).
- Payments of up to \$498,000 were made through CPA Form 44—intended for purchases of \$15,000 or less—to avoid review.
- Contracting officers and CPA-CA officers were paid money from the contractors and the Development Fund for Iraq (DFI) for their participation.

Figure J-1 shows the links between members of the conspiracy.

SIGIR criminal investigators opened a criminal case and confirmed many of the concerns addressed by SIGIR Audit and Inspections. It was later confirmed that Bloom conspired with U.S. government contract employees (Stein) and military officials, including Army Reserve Lieutenant Colonels Debra M. Harrison, Michael B. Wheeler, and Hopfengardner to obtain fraudulently awarded CPA contracts for the reconstruction and stabilization of Iraq. The investigation has revealed that:

- Contracts were awarded to businesses

owned or controlled by Bloom through a rigged bidding process.

- The work was ordered or overseen by certain of Bloom’s co-conspirators, including Harrison, Wheeler, and Hopfengardner.
- Such contracts were authorized for payment by others, including co-conspirators (in some cases without any performance of the contracts by Bloom’s companies).

The investigation further revealed that Bloom, through his businesses and personal bank accounts, provided money, bribes, kickbacks, and gratuities to U.S. government

The Bloom/Stein Conspiracy

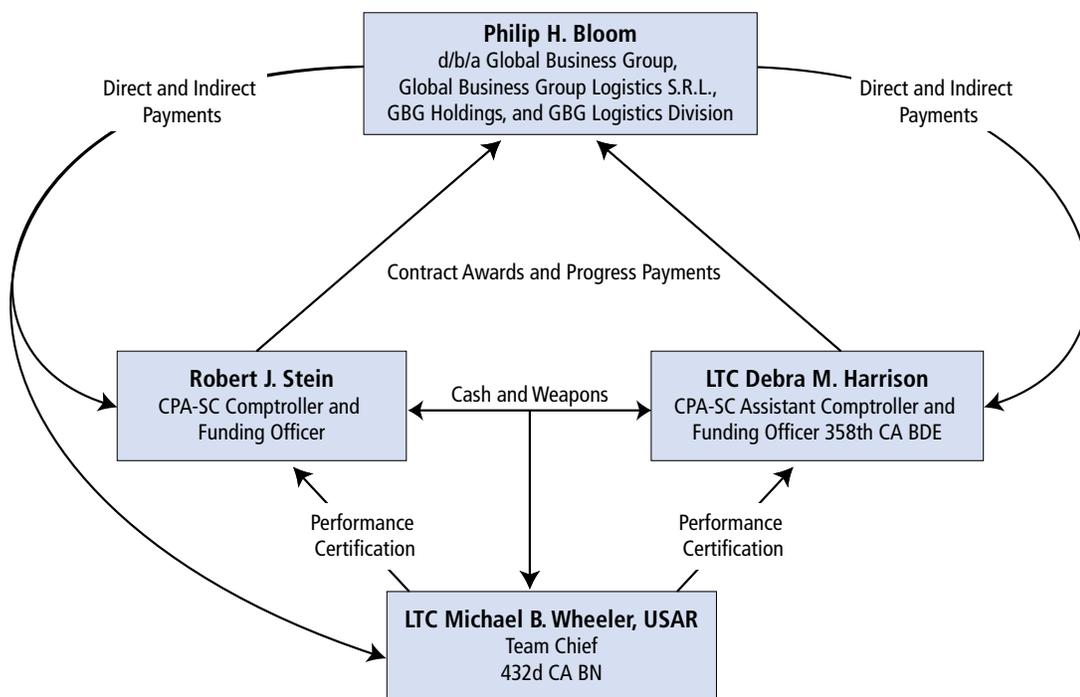


Figure J-1 \$8.6 Million Bid-rigging Scheme–Bloom/Stein Conspiracy

CONTRACTING ACTIONS AFFECTED BY BLOOM

CONTRACT	CONTRACT VALUE
Construction of Regional Tribal Democracy Center	\$397,000
500 kV Generator for Babil Government Building	95,000
500 kV Generator for Regional Tribal Democracy Center	105,000
Demolition of Ba'ath Party Headquarters and Grading of Hilla Police Academy Site	452,800
Security Facility Upgrades at Hilla Police Academy	448,500
Renovation of Kerbala Library	373,400
Landscaping of Kerbala Library	197,500
Furniture for Kerbala Library	224,010
Internet Capability for Kerbala Library	498,900
Total Value	\$2,792,110

TABLE J-1

officials, including Harrison, Wheeler, Hopfinger, and other co-conspirators.

PHILIP H. BLOOM

- president and sole stockholder of Global Business Group S.R.L., a construction and management consulting services company headquartered in Bucharest, Romania
- arrested on arrival in Newark, New Jersey, in November 2005
- suspended by Army Suspension/Debarment Official (SDO), in November 2005
- pled guilty in March 2006
- faces up to 40 years in prison and a \$750,000 fine, \$3.6 million in restitution, and \$3.6 million in forfeiture of assets
- sentencing set for February 9, 2007

Table J-1 shows the contracts affected by Bloom's actions.

ROBERT J. STEIN, JR.

- CPA-SC Comptroller and Funding Officer as an employee of S&K Technologies, part of contract with the U.S. Army for administrative support in Iraq
- controlled expenditure of approximately \$82 million in DFI funds
- awarded contracts and authorized cash

payments to Bloom as part of a bid-rigging scheme although project work did not meet the terms of the contract

- has a 1996 federal conviction for violation of 18 U.S.C. §1029 (fraud and related activity in connection with access devices—credit card fraud; sentenced to 8 months confinement and ordered to pay \$45,339.25 in restitution enforcement actions)

These enforcement actions were taken against Stein:

- arrested in Fayetteville, North Carolina, November 2005
- suspended by Army SDO, December 2005
- pled guilty, February 2006
- sentencing set for January 12, 2007, in U.S. District Court, Washington, D.C., facing up to 30 years in prison and \$250,000 fine

Stein received these payments: \$434,348 in direct and indirect payments, and weapons valued at approximately \$69,620:

- 4 M-203 grenade launchers
- 20 HK53A3 fully automatic submachine guns
- 12 SA58 .308-caliber machine guns
- 12 MK23 .45-caliber, pistols
- 100 5.56-caliber 30-round magazines

- 4 MK23 .45-caliber silencers
- 60 Mk23 .45-caliber magazines

LTC MICHAEL B. WHEELER

- Army Reservist assigned to 432nd Civil Affairs Battalion as a Team Chief
- responsible for implementing civil affairs operations and overseeing contracting progress in Hilla
- drafted contract specifications for affected projects
- allegedly certified completion of work and authorized cash payments to Bloom despite defective work or non-performance of contract terms
- allegedly improperly authorized the release of military weapons from 3rd SFG armory, Ft. Bragg, North Carolina, and gave them to Stein

LTC Wheeler allegedly received these payments:

- \$100,000 cash in DFI funds he transported from Iraq to CONUS for his personal use after completing deployment
- two .45-caliber pistols and two HK53A3 submachine guns from Stein

These enforcement actions were taken against LTC Wheeler:

- arrested in Amherst Junction, Wisconsin, November 2005
- suspended by Army SDO, December 2005

LTC DEBRA M. HARRISON

- Army Reservist assigned to 358th Civil Affairs Brigade as Assistant CPA-SC Comptroller and Funding Officer
- allegedly awarded contracts to Bloom as part of bid-rigging scheme
- allegedly authorized cash payments to Bloom despite defective or non-performance of contract terms
- reported to Stein and assumed his position at CPA-SC on his departure
- allegedly assisted LTC Wheeler in the delivery of military weapons to Stein

LTC Harrison allegedly received these payments:

- at least \$80,000 of the \$330,000 she personally transported from Iraq to the Continental United States (CONUS) on completion of her deployment that was used for home improvements
- business class airline tickets from Kuwait to CONUS
- a 2005 Cadillac Escalade from Bloom
- two .45-caliber pistols from Stein

These enforcement actions were taken against LTC Harrison:

- arrested in Trenton, New Jersey, December 2005
- suspended by Army SDO, December 2005