

Owner of Commercial Flooring Contractor Pleads Guilty to Participating in Kickback Scheme to Defraud a U.S. Army Facility

Article By:

United States Department of Justice (DOJ)

The owner of a Fairbanks, Alaska, commercial flooring company, pleaded guilty on Sept. 22 for his role in a conspiracy to provide kickbacks related to contracts for commercial flooring services at a U.S. Army Facility.

Benjamin W. McCulloch pleaded guilty to five-count felony charges filed on Aug. 25, 2022, in the U.S. District Court for the District of Alaska. According to the plea, from March 2016 to March 2021, McCullough conspired to pay kickbacks to an employee of a prime contractor related to flooring construction contracts administered by the U.S. Army at Fort Wainwright. The charges state that McCulloch conspired to inflate the costs of four flooring construction subcontracts, and then provided the proceeds to his co-conspirator as kickbacks. During the five-year scheme, McCullough paid over \$100,000 in kickbacks.

“When subcontractors and prime contractors at U.S. Army facilities collude, they undermine competition for government contracts and waste public funds intended to bolster our national defense,” said Assistant Attorney General Jonathan Kanter of the Justice Department’s Antitrust Division. “The division and our law enforcement partners will bring to justice criminals who cheat on government contracts.”

“Those who engage in fraudulent kickback schemes undermine the government’s competitive contracting practices, and harm American taxpayers in the process,” said Special Agent in Charge Antony Jung of the FBI’s Anchorage Field Office. “Detecting and disrupting these schemes will always be a priority for the FBI, and together with our partners, we will hold offenders accountable.”

“Today’s plea is a fitting end for those who conspire to defraud the U.S. Army,” said Special Agent in Charge L. Scott Moreland of the U.S. Army Criminal Investigation Division’s Major Procurement Fraud Field Office. “The Army CID’s Major Procurement Fraud Field Office is proud to work with our federal law enforcement partners to protect the coffers of the U.S. government from those who break the law and threaten economic damage to the U.S. Army.”

“The government contracting process is supposed to be a healthy competition, not a rigged match with illegal kickbacks thrown in,” said Special Agent in Charge Bret Kressin of the IRS-Criminal

Investigation, Seattle Field Office. “Mr. McCulloch’s greed not only undermined the U.S. Army, but it hurt our communities when the stolen funds went directly to line his coconspirators’ pockets.”

“Mr. McCulloch’s guilty plea is a crucial step forward in holding him, and potentially others, accountable for his illegal efforts to enrich himself and others by willfully committing a years-long fraud against the U.S. Army and American taxpayer,” said Special Agent in Charge Bryan D. Denny of the Department of Defense, Office of Inspector General (DOD-OIG), Defense Criminal Investigative Service (DCIS), Western Field Office. “DCIS and our partners will continually seek to identify and eliminate kickback schemes, such as those utilized by Mr. McCulloch, because they corrupt the DoD procurement system by unlawfully suppressing competition and increasing costs.”

The charges to which McCulloch pleaded guilty carry a maximum penalty of ten years in prison and a fine of \$250,000. The fine for the anti-kickback conspiracy charge may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine. In addition to his guilty plea, McCulloch has agreed to pay restitution.

The Antitrust Division’s San Francisco Office, the U.S. Attorney’s Office for the District of Alaska, the FBI’s Anchorage Field Office, the DCIS’s Western Field Office in Seattle, and the IRS’s Criminal-Investigation Seattle Office are investigating this case.

Anyone with information in connection with this investigation is urged to contact the Antitrust Division’s San Francisco Office at 415-934-5300, the Antitrust Division’s Citizen Complaint Center at 888-647-3258 or <http://www.justice.gov/atr/contact/newcase.html>, or the FBI’s Anchorage Field Office at 907-276-4441.

In November 2019, the Department of Justice created the Procurement Collusion Strike Force (PCSF), a joint law enforcement effort to combat antitrust crimes and related fraudulent schemes that impact government procurement, grant and program funding at all levels of government – federal, state and local. To learn more about the PCSF, or to report information on market allocation, price fixing, bid rigging and other anticompetitive conduct related to federal government contracts, go to <https://www.justice.gov/procurement-collusion-strike-force>.

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