

Kuwait-based military contractor accused of inflating food prices

Indictment against Public Warehousing follows multiyear probe

BY WALTER PINCUS

A major Kuwait-based military contractor was indicted Monday for allegedly defrauding the U.S. government by submitting inflated bills and false claims under contracts through which it has supplied \$8.5 billion in food and other products to the American military in Iraq, Kuwait and Jordan over the past six years.

The criminal indictment, against Public Warehousing Co. KSC, was brought in Atlanta and resulted from a multiyear investigation of inflated prices for billions of dollars in frozen and fresh food shipped each year under contracts to feed U.S. and coalition troops in Iraq and Kuwait, according to acting U.S. Attorney F. Gentry Shelnett.

"This indictment is only the first step," Shelnett said in a



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Acting U.S. Attorney F. Gentry Shelnett, with Assistant U.S. Attorney Barbara Nelan, announces the fraud indictment in Atlanta.

statement. "Our investigation of entities and persons who have defrauded the United States and our military is ongoing."

Public Warehousing denied the accusations in a statement, saying it "is confident that once these allegations are examined in court, they will be found to be without merit." The company, also known as Agility, has subsid-

iaries in countries around the world, some of which also hold U.S. government contracts.

Based on the indictment, the Defense Logistics Agency issued a suspension notice to the company, meaning it cannot bid on other contracts until the legal proceedings in Atlanta are concluded.

Public Warehousing's contract

is set to expire in December 2010. If convicted, the company will face fines and possible prohibition from bidding on other government contracts.

In a related step, the Justice Department on Monday announced that it was joining in a civil suit filed by a whistleblower in 2005 against Public Warehousing; its chief executive, Tarek Abdul Aziz Sultan Al-Essa; and a related company.

That case was filed under the False Claims Act by Kamal Mustafa Al-Sultan, owner of a Kuwaiti company that partnered with Public Warehousing in 2003 on the original bid for the food contract.

The whistleblower's allegations have been kept under seal to permit a federal investigation to determine whether the government would join the lawsuit.

Under the False Claims Act, the government may recover three times the amount of its losses plus civil penalties, according to the Justice Department announcement.

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