JUSTICE NEWS

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Israeli Executive Pleads Guilty to Defrauding the Foreign Military Financing Program

A former executive of an Israel-based defense contractor pleaded guilty for his role in multiple schemes to defraud a multi-billion dollar United States foreign aid program, the Department of Justice announced today.

Yuval Marshak pleaded guilty to one count of mail fraud, two counts of wire fraud and one count of major fraud against the United States in U.S. District Court for the District of Connecticut today. He was previously charged in an indictment returned by a federal grand jury in the District of Connecticut on Jan. 21, 2016, and then extradited from Bulgaria in October.

According to court documents, Marshak carried out three separate schemes between 2009 and 2013 to defraud the Foreign Military Financing program (FMF). Marshak and others falsified bid documents to make it appear that certain FMF contracts had been competitively bid when they had not. Marshak further caused false certifications to be made to the U.S. Department of Defense (DoD) stating that no commissions were being paid and no non-U.S. content was used in these contracts, when, in fact, Marshak had arranged to receive commissions and to have services performed outside the United States, all in violation of the DoD's rules and regulations. Marshak arranged for these undisclosed commission payments to be made to a Connecticut-based company that was owned by a close relative to disguise the true nature and destination of these payments.

"Today's guilty plea marks the successful culmination of a complex investigation that required us to work closely with the Israeli government, the DoD and the Office of International Affairs to gather foreign-located evidence and to secure Marshak's extradition," said Acting Assistant Attorney General Brent Snyder of the Department of Justice's Antitrust Division. "This result reflects the division's deep commitment to identifying and prosecuting schemes to defraud American taxpayers."

"This conviction is the result of the Defense Criminal Investigative Service's (DCIS) ongoing effort to identify and investigate fraudulent activity targeting the U.S. Department of Defense (DoD) and its programs that support America's national security and foreign policy objectives," said Acting Special Agent in Charge Leigh-Alistair Barzey of the DCIS Northeast Field Office. "DCIS will continue to aggressively investigate allegations of fraud and abuse threatening the DoD and the Foreign Military Sales Program."

The United States spends billions of dollars each year through the FMF program to provide foreign governments, including Israel, with money which must be used to purchase American-made military goods and services. The rules and regulations of the FMF program require the disclosure of and approval for any FMF-funded commissions and require that all goods and services be of United States origin to qualify for FMF funding. These same rules also strongly encourage the use of competitive bidding in the award of all FMF contracts. American vendors who receive FMF funded contracts are required to certify their compliance with these regulations to the DoD.

The Antitrust Division's New York Office and DCIS prosecuted the case, with assistance from the U.S. Attorney's Office for the District of Connecticut, Israel's Ministry of Defense and the Justice Department's Office of International Affairs. Anyone with information on price fixing, bid rigging or other anticompetitive conduct related to government contracts should contact the Antitrust Division's Citizen Complaint Center at 1-888-647-3258 or visit www.justice.gov/atr/contact/newcase.html.