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Department of Justice

U.S. Attorney's Office

Eastern District of Virginia

FOR IMMEDIATE RELEASE

Wednesday, May 8, 2013

Former Coast Guard Petty Officer Sentenced For Fraud, Receiving Bribes

NORFOLK, Va. – Nathan Allen Dunn, 30, of Brookwood, Ala., was sentenced today to 87 months in prison, followed by three years of supervised release, for wire fraud and for receiving bribes in his position as a USCG Transportation Administrator. Dunn was also ordered to pay \$779,549.85 in restitution to the U.S. Treasury.

Neil H. MacBride, United States Attorney for the Eastern District of Virginia; Otis E. Harris, Jr., Special Agent in Charge, Coast Guard Investigative Service, Chesapeake Region; and Michael P. Dawson, Special Agent in Charge, Department of Homeland Security, Office of Inspector General, Washington Field Office, made the announcement after sentencing by United States District Judge Mark S. Davis.

Dunn previously pled guilty to the charges on January 4, 2013. According to court documents, Dunn, formerly an active duty U.S. Coast Guard (USCG) Petty Officer, Second Class was assigned as a Transportation Administrator at the Surface Forces Logistics Center in Norfolk, Va. Dunn's primary duty was to coordinate the shipping of large freight such as boats, trailers, generators, etc., between USCG bases located throughout the United States. Dunn was responsible for operating the Department of Defense Transportation Command (TransCom) automated system to bid out and then contract the shipments with authorized freight brokerage companies.

Dunn's co-conspirator, Huffman Earl Monk, was the owner and operator of 12 freight brokerage companies that were headquartered in a single office in Brookwood, Ala. Most of Monk's freight brokerage companies contracted with TransCom to ship military-related freight.

In September 2009, Monk traveled to Norfolk to meet with Dunn, who was only recently assigned as a USCG Transportation Administrator. As a result of their discussions, Dunn and Monk entered into an agreement whereby Dunn would agree to issue over-priced USCG freight contracts to Monk's freight companies, in exchange for Monk giving bribes in the form of kickbacks as percentage of the contract profits to Dunn. Shortly after Monk and Dunn entered into their agreement, Monk began giving monetary bribes to Dunn by providing him with debit cards linked to several of Monk's business bank accounts. In order to inflate the profits Monk and Dunn would earn from each contract, Monk encouraged Dunn to fraudulently manipulate various data entered into the TransCom computer system in order to artificially inflate the price of the shipping contracts Dunn steered to Monk's freight companies. Dunn and Monk also engaged in creating at least six false shipping contracts for military freight shipments that did not exist, thereafter awarding the contract and profits to one or more of Monk's companies. Since no freight was actually shipped pursuant to these false contracts, the USCG payments to Monk's companies were all profit, resulting in Dunn receiving half of the contract award payments from Monk. Over a two-year period, Dunn received over \$220,000 in bribe payments from Monk. The total loss to the United States based on these fraudulent military shipping contracts was \$779,549.85.

The military has recently implemented a number of internal changes to TransCom's computer systems to enhance the integrity of the bidding and contracting process used by Department of Defense and Department of Homeland Security Transportation Officers.

Judge Davis previously sentenced Huffman Monk on April 29, 2013 in Norfolk, Virginia, to a term of 63 months imprisonment, followed by three years of supervised release, for wire fraud and for paying bribes to Dunn. Monk was also ordered to pay a fine of \$15,000 and \$779,549.85 in restitution to the U.S. Treasury.

This investigation was brought as part of the Hampton Roads Procurement Fraud Initiative, a collaboration of defense investigative agencies, Inspectors General, and law enforcement dedicated to strengthening the integrity of the federal procurement system.

This case was investigated by the United States Coast Guard Investigative Service and the Department of Homeland Security, Office of the Inspector General, Washington Field Office, with the cooperation and assistance of the Coast Guard Surface Forces Logistics Center. Assistant United States Attorneys Stephen W. Haynie and V. Kathleen Dougherty are prosecuting the case on behalf of the United States.

A copy of this press release may be found on the website of the United States Attorney's Office for the Eastern District of Virginia at <http://www.justice.gov/usao/vae>. Related court documents and information may be found on the website of the District Court for the Eastern District of Virginia at <http://www.vaed.uscourts.gov> or on <https://pcl.uscourts.gov>.

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