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[U.S. Attorneys](#) » [Eastern District of Virginia](#) » [News](#)

Department of Justice

U.S. Attorney's Office

Eastern District of Virginia

FOR IMMEDIATE RELEASE

Tuesday, June 17, 2014

Third Defendant Pleads Guilty In Procurement Fraud Scheme Involving Service-Disabled Veteran-Owned Small Businesses

ALEXANDRIA, Va. – A former service contractor for U.S. Customs and Border Protection (CBP) pleaded guilty today for his role in accepting over \$350,000 in connection with the awarding of a \$24 million contract by CBP.

Dana J. Boente, U.S. Attorney for the Eastern District of Virginia; John Roth, Inspector General for the Department of Homeland Security (DHS); Robert C. Erickson, Jr., Acting Inspector General, General Services Administration (GSA); Peggy E. Gustafson, Small Business Administration (SBA) Inspector General; and Richard J. Griffin, Acting Inspector General, Department of Veterans Affairs (VA), made the announcement after the plea was accepted by U.S. District Judge Anthony J. Trenga.

Chancellor Ellis, 37, of Manassas, Virginia, pleaded guilty to conspiracy to obtain illegal gratuities and to violate the procurement integrity act. Ellis faces a maximum penalty of five years in prison when he is sentenced on September, 12, 2014. He will also pay restitution and forfeiture in the amount of \$351,176.60, representing the total amount of illicit payments sought and accepted by Ellis in connection with the procurement fraud scheme.

In a statement of facts filed with the plea agreement, Ellis admitted that, throughout the conspiracy, he worked for CBP as a service contractor. Among other duties and responsibilities at CBP, Ellis worked as a technical advisor on a procurement for a Wide Area Network (WAN) optimization project. The procurement resulted in an award to a service-disabled veteran-owned small business, identified in the statement of facts as Company T, at a contract price of approximately \$24 million.

Prior to the award to Company T, Ellis—who was actively working for CBP on the procurement—

requested that Company T agree to pay ten percent of any profits from the WAN optimization contract to a company co-owned by Ellis. Shortly after reaching this agreement with Company T, Ellis provided nonpublic source selection information related to the WAN optimization procurement, including independent government cost estimates, to Company T employee Anthony Bilby. Bilby and other co-conspirators used the source selection information in crafting the winning bid on behalf of Company T. Bilby and other conspirators also caused nominal competitors of Company T to submit rigged bids on the contract in excess of the amount of Company T's bid. After Company T won the contract, it paid \$351,176.60—approximately ten percent of its profits—to Ellis's company.

As part of his plea agreement, Ellis has agreed to cooperate in the investigation of others involved in the conspiracy. Two other co-conspirators, Anthony Bilby and Thomas Flynn, have previously pleaded guilty and have been sentenced for their roles in the conspiracy.

This case was investigated by the Offices of the Inspector General for DHS, GSA, SBA, and the VA, with assistance from DHS's Office of the Chief Security Officer, Cyber Forensic Branch. Assistant U.S. Attorney Kosta S. Stojilkovic is prosecuting the case.

A copy of this press release may be found on the website of the [U.S. Attorney's Office](#) for the Eastern District of Virginia. Related court documents and information may be found on the website of the [District Court](#) for the Eastern District of Virginia or on [PACER](#) by searching for Case No. 1:14-cr-205.

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