



**U.S. Department of Justice  
U.S. Attorney's Office  
Western District of Texas**

**Johnny Sutton, U.S. Attorney**

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**FOR IMMEDIATE RELEASE**

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**April 17, 2008**

**FIVE SENTENCED IN MULTI-MILLION DOLLAR U.S. ARMY  
MEDICAL INFORMATION SYSTEMS AND SERVICES AGENCY BRIBERY SCHEME**

**United States Attorney Johnny Sutton** announced that in San Antonio this morning, five defendants were sentenced to federal prison terms and ordered to pay restitution to the Government in connection with a multi-million dollar bribery scheme centered on fixed U.S. Army Medical Department contracts at Fort Sam Houston.

United States District Judge Orlando Garcia sentenced:

- 54-year-old Ignacio Ruelas Torres, a former Infrastructure Coordinator/Project Officer with the U.S. Medical Command (MEDCOM) at Ft. Sam Houston, to 84 months in federal prison followed by three years of supervised release after pleading guilty to one count each of conspiracy to defraud the United States and receipt of bribe as a public official. Torres was also ordered to perform 500 hours of community service and pay \$2.7 million restitution and forfeiture of assets;
- 60-year-old Francisco Quinata Cruz, a San Antonio contractor consultant, to 84 months in federal prison followed by three years of supervised release after pleading guilty to one count each of conspiracy to defraud the United States, receipt of bribe as a public official and money laundering. Cruz was also ordered to perform 1000 hours of community service and pay \$2.7 million restitution as well as forfeiture of assets;
- 58-year-old William John "Bill" Strout, Sr., a former civilian contracting officer, U.S. Army Medical Information Technology Center at Ft. Sam Houston, to 84 months in federal prison followed by three years of supervised release after pleading guilty to one count each of conspiracy to defraud the United States and receipt of bribe as a public official. Strout was also ordered to perform 500 hours of community service and pay \$2.7 million restitution;
- 48-year-old Johnnie Flores, owner of Sphinx consultant and Associates, an SBA certified 8(a) firm in San Antonio, to 62 months in federal prison followed by three years of supervised release after pleading guilty last October to one count each of conspiracy to defraud the United States and bribery of a public official; Flores was also ordered to pay \$2.7 million restitution;

– more –

## **USAMISSA bribery scheme sentencing release**

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- 59-year-old Andrew Delancey Waring, II, a former contract government employee, U.S. Army Medical Information Technology Center at Ft. Sam Houston, to 60 months in federal prison followed by three years of supervised release after pleading guilty last October to one count each of conspiracy to defraud the United States, receipt of bribe as a public official and failure to file a tax return. Waring was also ordered to perform 500 hours of community service and pay \$265,560 restitution.

“It is vital that the business of the American government be conducted in an ethical and honest way. We will continue to root out and prosecute corruption wherever we find it,” stated United States Attorney Johnny Sutton.

Bill Strout’s son, 37-year-old William John “Will” Strout, Jr., is awaiting sentencing after pleading guilty to receipt of bribe as a public official, and possession of child pornography. Sentencing is scheduled for 9:30am on May 8, 2008, before Judge Garcia.

According to court records, from April 2002 to August 2005, the defendants committed acts of bribery, kickbacks, disclosure of privileged information, and fraud to ensure that Flores’ company, Sphinx Consultant and Associates, a company that employed Cruz, ultimately received contracts.

One such contract, an approximate \$6 million agreement initiated in April 2002 and dubbed the “Madigan deal,” provided computer cable upgrades at U.S. Army hospitals. Torres, Cruz, Bill Strout and Flores derived approximately \$1 million in graft from the “Madigan deal.”

In September 2002, Waring used his influence as operations manager of the U.S. Army Medical Information Systems and Services Agency Video Teleconferencing Network Center to help formulate and steer over \$1.6 million in equipment and support contracts to Sphinx in return for a share of contract proceeds.

In September 2003, the defendants prolonged their fixing scheme by negotiating an agreement with an Oklahoma tribally-owned business. According to procurement rules, businesses owned by American Indian Owned/Tribally Owned 8(a) companies can be awarded unlimited dollar amount government sole source contracts without competition, without Small Business Administration approval. As part of the conspiracy, Bill Strout in 2004, caused millions of dollars in government contracts to be funneled to the tribal business, who kept small percentages as pass through fees, then forwarded millions of dollars in contracts to Sphinx to the benefit of Torres, Cruz, Bill Strout and Flores. Torres, Cruz and Bill Strout were given 75% ownership and controlling interest in Sphinx.

This case was investigated by the Federal Bureau of Investigation, Internal Revenue Service-Criminal Investigation, Army Criminal Investigation Command-Major Procurement Fraud Unit, General Services Administration Office of the Inspector General, Department of Interior Office of the Inspector General, Defense Criminal Investigative Service, the Small Business Administration Office of Inspector General and the Department of Transportation. Assistant United States Attorney Jim Blankinship is prosecuting this case on behalf of the Government.

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