

1 KEVIN V. RYAN (CASBN 118321)
United States Attorney

03 JUN 14 07
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U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

SEALED
ORDER

MMC

8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SAN FRANCISCO DIVISION

CR 03 0170

11 UNITED STATES OF AMERICA,
12 Plaintiff,
13 v.
14 MARCUS O. ARMSTRONG,
15 Defendant.

No.

VIOLATIONS: 18 U.S.C. §§ 1341 and
1346 – Mail Fraud; 18 U.S.C. § 1343 and
1346 – Wire Fraud; 18 U.S.C. § 1512 –
Obstruction of Justice

SAN FRANCISCO VENUE

18 INFORMATION

19 The United States Attorney charges:

20 COUNT ONE: (18 U.S.C. §§ 1341 and 1346 – Mail Fraud)

21 INTRODUCTION

22 At all times relevant to this Information:

23 1. San Francisco's Department of Building Inspection (“DBI”) served the
24 residents of the City and County of San Francisco (“City”) by overseeing the enforcement
25 of the City’s building, housing, plumbing, electrical, and mechanical codes, as well as its
26 disability access regulations.

27 2. The defendant, MARCUS O. ARMSTRONG, was DBI’s Manager of
28 Information Technology. As the highest-ranking technology officer at DBI, defendant

INFORMATION [ARMSTRONG]

1 ARMSTRONG had the authority to approve the disbursement of City funds for the
2 purchase of computer equipment and to pay outside vendors to upgrade and enhance
3 DBI's extensive computer network.

4 3. As an officer of the City and County of San Francisco, defendant
5 ARMSTRONG was prohibited by law from using the power of his official position to
6 advance his personal financial interests. Specifically, City Charter Section C8.105(c)
7 prohibited any City officer or employee from making, participating in making, or in any
8 way attempting to influence a governmental decision in which he had reason to know he
9 had a financial interest. California's Political Reform Act imposed a virtually identical
10 prohibition on self-dealing by City employees in Government Code Section 87100 et seq.

11 4. Cobra Solutions, Inc. ("Cobra"), a California corporation headquartered in
12 San Francisco, California, was an approved City vendor that sold computer equipment.
13 In October 1998, the City hired Cobra as a prime contractor to provide computer network
14 engineering and consulting services to DBI.

15 5. Government Computer Sales, Inc. ("GCSI"), a Washington corporation
16 headquartered in Issaquah, Washington, was an approved City vendor that sold computer
17 equipment. In or about September 2000, the City hired GCSI as a prime contractor to
18 develop database management and other software applications for DBI's computer
19 network.

20 6. Monarch Enterprises, Inc. ("Monarch") was a fictitious business entity in
21 San Francisco, California, registered to defendant ARMSTRONG. Defendant
22 ARMSTRONG was the sole signatory on Monarch's bank account at the Bank of
23 America.

24 THE SCHEME TO DEFRAUD

25 7. From in or about September 1999 and continuing through in or about April
26 2001, in the Northern District of California and elsewhere, defendant

27 MARCUS O. ARMSTRONG

28 knowingly and willfully devised and intended to devise a scheme and artifice to defraud

1 the City and County of San Francisco, and to obtain its money and property by means of
2 material false and fraudulent pretenses, representations, and promises, and to deprive the
3 citizens of the City and County of San Francisco of their intangible right to the
4 defendant's honest services as an officer of the San Francisco Department of Building
5 Inspection.

6 8. The purpose of the scheme was for ARMSTRONG to enrich himself by
7 using his official government position to steal nearly half a million dollars of public funds
8 from the City and County of San Francisco. ARMSTRONG carried out this scheme
9 through a systematic pattern of self-dealing in which he authorized the City to pay
10 hundreds of thousands of dollars to Monarch, a company he secretly owned, as purported
11 compensation for work that was never done.

12 MANNER AND MEANS OF THE SCHEME

13 9. Defendant ARMSTRONG set up a sham company called Monarch
14 Enterprises, Inc. ("Monarch"), which he falsely represented to the City to be a vendor
15 performing work for DBI.

16 10. ARMSTRONG caused Cobra and GCSI, two approved City vendors, to
17 invoice the City for services purportedly provided to DBI by Monarch, as a subcontractor,
18 when, in truth, Monarch performed no work for DBI and was prohibited by law from
19 performing any work on DBI projects.

20 11. ARMSTRONG, acting in his official capacity, approved the payment of
21 City funds to Monarch, which caused both Cobra and GCSI to receive substantial fees
22 from the City for processing the payments on Monarch's behalf.

23 12. Cobra and GCSI wrote checks to Monarch totaling approximately \$482,000
24 as compensation for its purported work for DBI. ARMSTRONG deposited these checks
25 into a Monarch account he controlled and used the money for his own purposes.

26 13. During the entire course of the fraudulent scheme, ARMSTRONG actively
27 concealed material facts from the City and from his superiors at DBI, namely, that he was
28 the owner of Monarch, and that Monarch was being paid for work that was never

1 performed.

2 USE OF THE MAIL

3 14. On or about September 23, 1999, for the purpose of executing the scheme
4 and artifice to defraud, ARMSTRONG caused to be placed in a post office and
5 authorized depository for mail a check in the amount of \$67,648.13 (Warrant No.
6 01162090/1600) from the City and County of San Francisco to be sent and delivered by
7 the United States Postal Service to Cobra Solutions, Inc., in San Francisco, California.

8 All in violation of Title 18, United States Code, Sections 1341 and 1346.

9 COUNT TWO: (18 U.S.C. §§ 1343 and 1346 – Wire Fraud)

10 15. The allegations contained in Paragraphs 1 through 6 of this Information are
11 realleged as though fully set forth herein.

12 16. Semantics Consulting Services ("Semantics") was a subcontractor company
13 hired by GCSI to perform software application and database development work under
14 GCSI's contract with DBI.

15 17. Mindstorm Technologies, Inc. ("Mindstorm") was a fictitious business
16 entity in San Mateo, California registered to defendant ARMSTRONG. Defendant
17 ARMSTRONG and another person known to ARMSTRONG were the signatories on
18 Mindstorm's bank account at Wells Fargo Bank.

19 THE SCHEME TO DEFRAUD

20 18. From in or about February 2001 and continuing through in or about January
21 2002, in the Northern District of California and elsewhere, defendant

22 **MARCUS O. ARMSTRONG**

23 knowingly and willfully devised and intended to devise a scheme and artifice to defraud
24 the City and County of San Francisco, and to deprive the citizens of the City and County
25 of San Francisco of their intangible right to the defendant's honest services as an officer
26 of the San Francisco Department of Building Inspection.

27 19. ARMSTRONG carried out this scheme to defraud by unlawfully accepting
28 \$21,870 in kickback payments from Semantics in exchange for using his official position

1 to benefit Semantics – first, by securing work for Semantics on a DBI project under
2 ARMSTRONG’s control, and, later, by helping Semantics get paid for work it had
3 performed on the DBI project. In return for these efforts, Semantics wrote checks
4 totaling \$21,870 to the defendant’s sham companies, Monarch and Mindstorm.
5 ARMSTRONG deposited these checks into accounts he controlled and used the money
6 for his own personal purposes.

7 20. During the entire course of the fraudulent scheme, ARMSTRONG actively
8 concealed material facts from the City and from his superiors at DBI, namely, that
9 Semantics paid the defendant’s company in exchange for official acts the defendant took
10 on Semantics’ behalf.

11 USE OF THE WIRES

12 21. On or about July 10, 2001, for the purpose of executing the scheme to
13 defraud, ARMSTRONG transmitted and caused to be transmitted by means of wire
14 communications in interstate commerce the signals and sounds associated with a 7-minute
15 cellular telephone call from San Francisco, California, to Issaquah, Washington, in which
16 ARMSTRONG tried to persuade GCSI to make a payment to Semantics.

17 All in violation of Title 18, United States Code, Sections 1343 and 1346.

18 COUNT THREE: (18 U.S.C. § 1512(b)(1) – Obstruction of Justice)

19 22. Beginning on or about February 10, 2003 and continuing at least until on
20 or about March 14, 2003, in the Northern District of California, defendant

21 **MARCUS O. ARMSTRONG**

22 did knowingly, intentionally, and corruptly persuade and corruptly attempt to persuade
23 another person – namely, the President of Semantics Consulting Services (“Semantics”) –
24 with the intent to influence his testimony in an official proceeding in order to falsely
25 exonerate ARMSTRONG.

26 23. Specifically, defendant ARMSTRONG, who was aware that he had been
27 referred to the U.S. Attorney’s Office in San Francisco for a federal criminal investigation
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into his alleged wrongdoing at DBI, corruptly attempted to persuade the President of Semantics to say, if questioned by investigating authorities, that the checks he had given to defendant ARMSTRONG were not illegal kickbacks, but were instead payments for the purchase of artwork and independent consulting services. In truth, as defendant ARMSTRONG well knew, the payments were unrelated to artwork or consulting services and were made to ARMSTRONG in exchange for official acts that defendant ARMSTRONG had taken on Semantics' behalf.

All in violation of Title 18, United States Code, Section 1512(b)(1).

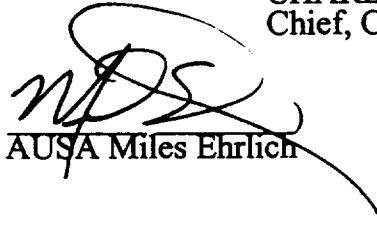
DATED: 6/3/03

KEVIN V. RYAN
United States Attorney



CHARLES B. BURCH
Chief, Criminal Division

(Approved as to form:



AUSA Miles Ehrlich