



DEPARTMENT OF THE AIR FORCE

ARLINGTON, VA 22203-1613

Office of the Deputy General Counsel

VIA FEDERAL EXPRESS

FEB 23 2011

SAF/GCR  
4040 N. Fairfax Drive  
Suite 204  
Arlington, VA 22203

Mr. Douglas Edward Phillips, III  
c/o Victor T Gutierrez, Esq.



Re: Notice of Debarment

Dear Mr. Phillips,

By letter dated January 13, 2011, the Air Force initiated proceedings to debar you from contracting with the United States Government. The letter provided you with an opportunity to submit information and arguments in opposition to the proposed debarment. To date, you have not responded to the proposed debarment notice.

Based upon the information in the administrative record in this matter, I have determined that protection of the Government's interests requires that you be debarred from contracting with the United States Government. The effects of debarment are those stated in the January 13, 2011, Notice of Proposed Debarment.

Per Federal Acquisition Regulation Part 9.406-4(a)(1), while debarment will generally not exceed three years, debarment should "be for a period commensurate with the seriousness of the cause(s)." In light of the egregious nature of your misconduct, this debarment is effective immediately and continues for six years from April 23, 2009, the date you were suspended. Your debarment will terminate on April 22, 2015.

Sincerely,



STEVEN A. SHAW  
Deputy General Counsel  
(Contractor Responsibility)



DEPARTMENT OF THE AIR FORCE

ARLINGTON, VA 22203-1613

JAN 13 2011

Office of the Deputy General Counsel

MEMORANDUM IN SUPPORT OF THE PROPOSED DEBARMENTS OF:

DOUGLAS EDWARDS PHILLIPS, III  
DANCO AEROSPACE CONSULTING, INC.

Effective this date, the Air Force has terminated the suspensions imposed by the Air Force on April 23, 2009, and proposed the debarments of Douglas Edward Phillips, III and Danco Aerospace Consulting, Inc. from Government contracting and from directly or indirectly receiving the benefits of federal assistance programs. This action is initiated pursuant to Federal Acquisition Regulation (FAR) Subpart 9.4.

INFORMATION IN THE RECORD

A preponderance of evidence in the administrative record establishes that at all times relevant hereto:

1. Douglas Edward Phillips, III ("Phillips"), owned and managed Danco Aerospace Consulting, Inc. ("Danco"), an aircraft parts broker incorporated and operating in Florida.
2. Between 1995 and 2004, Richard Thomas Barkley ("Barkley") was employed in Las Vegas, Nevada, as a logistician for URS, EG&G Division ("EG&G"), a prime contractor of the United States Air Force ("USAF").
3. Barkley was responsible for maintaining an inventory of aircraft parts, including ordering new parts and repair services for stocked parts from vendors. In the regular course of business, Barkley issued a purchase order to a vendor for each part or repair to be provided. Upon completion of the order, Barkley and the vendor would prepare and submit an invoice to EG&G's comptroller, who would then issue a check to the vendor for the part or service. EG&G would subsequently bill the USAF for reimbursement based upon the purchase price for the parts and service, plus a fixed fee and general and administrative expenses. Pursuant to the USAF's cost-reimbursable contract with EG&G, the USAF then paid EG&G.
4. From September 1995 until August 2004, Barkley and Phillips engaged in a scheme to defraud the United States. Barkley and Phillips prepared numerous purchase orders which falsely represented that Danco was providing new parts or repair service for parts to EG&G. Barkley and Phillips then prepared and submitted invoices for payment to the EG&G comptroller which falsely purported that Danco had fulfilled the purchase orders. Relying on the invoices submitted by Barkley, EG&G paid Danco for the invoiced amount. In turn, EG&G obtained reimbursement from the USAF for the sums paid to Danco. Upon receipt of the payment from EG&G, Phillips would then share the proceeds with Barkley.

5. Between 1995 and 2004, Barkley and Phillips prepared approximately 153 false purchase orders and invoices and submitted these fraudulent invoices to EG&G for payment. As a result, EG&G issued 107 checks made payable to Danco totaling approximately \$847,350.56. During this same time period, Phillips purchased approximately 157 money orders and cashier's checks in Barkley's name totaling approximately \$223,430.50.

6. On January 26, 2007, the United States Attorney filed criminal charges in the United States District Court for the District of Nevada against Barkley. On January 18, 2007, Barkley pled guilty to conspiracy in violation of 18 U.S.C 371, theft of Government funds under 18 U.S.C. 641, and money laundering as found in 18 U.S.C. 1956. On November 20, 2007, Barkley was sentenced to imprisonment for a term of 37 months followed by 36 months probation. He was ordered to pay two criminal monetary penalties: (1) an assessment of \$500 and (2) restitution to the Department of Defense in the amount of \$867,420.56. Barkley was subsequently debarred from Government contracting by the USAF on May 27, 2009.

7. On April 15, 2009, the United States Attorney filed criminal charges in the District of Nevada against Phillips, and on September 14, 2010, Phillips pled guilty to one count of conspiracy in violation of 18 U.S.C 371 and two counts of theft of Government funds under 18 U.S.C. 641. On January 7, 2011, Phillips was sentenced to 24 months of imprisonment followed by 36 months of probation. He was ordered to pay two criminal monetary penalties: (1) an assessment of \$300 and (2) restitution (joint and several with Barkley) to the Department of Defense in the amount of \$842,500.56.

#### BASES FOR THE PROPOSED DEBARMENTS

1. The criminal conviction against Phillips provides a separate independent basis for his debarment pursuant to FAR 9.406-2(a)(1), (3), and (5).

2. The improper conduct of Phillips and Danco is of so serious or compelling a nature that it affects their present responsibility to be Government contractors or subcontractors and provides a separate independent basis for each of their debarments pursuant to FAR 9.406-2(c).

3. Pursuant to FAR 9.406-5(a), the seriously improper conduct of Phillips is imputed to Danco, because his seriously improper conduct occurred in connection with the performance of his duties for or on behalf of Danco, or with the knowledge, approval, or acquiescence of Danco. The imputation of Phillips' conduct provides a separate independent basis for the debarment of Danco.

4. Pursuant to FAR 9.406-5(b), the seriously improper conduct of Danco is imputed to Phillips because as an officer, director, shareholder, partner, employee, or other person associated with Danco, he knew or had reason to know of Danco's seriously improper conduct. The imputation of Danco's seriously improper conduct to Phillips provides a separate independent basis for his debarment.

5. Pursuant to FAR 9.406-1(b), debarments may be extended to the affiliates of a contractor. Phillips and Danco are affiliates, as defined at FAR 9.403 (Affiliates), because directly or indirectly, Phillips has power to control Danco. The affiliation of Phillips and Danco provides a separate independent basis for each of their debarments.



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STEVEN A. SHAW  
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