



Office of Inspector General

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Egyptian Citizen Sentenced for Helping Tennessee-Based Company Defraud U.S. Government of Over \$500,000

Memphis, TN — An Egyptian citizen has been sentenced to time served, amounting to nearly 4 months in prison, for his role in a conspiracy to defraud a U.S. foreign assistance program of more than \$500,000. The illegal acts resulted in the distribution of defective water pumps by a company in Collierville, TN to the Egyptian Water Authority under a program established by the U.S. Agency for International Development (USAID).

Mustafa El Shehaly, 56, of Cairo, Egypt, pleaded guilty last month to one count of conspiracy to commit mail and wire fraud. According to the indictment filed on December 14, 2011, El Shehaly was working as an employee of a pump and irrigation supply company in Cairo when he conspired with employees at American Marsh Pumps, Inc. (AMP), a Tennessee corporation headquartered in Collierville, to submit false bids so that AMP would win the USAID program's contract for the purchase of water pumps. The scheme cost U.S. taxpayers \$536,750.

USAID established the program, known as the Commodity Import Program (CIP), to provide economic stimulus in Egypt and the United States. Under CIP, USAID provided loans for Egyptian companies to import goods from companies in the United States and, in 2008, financed the purchase of ten industrial water pumps from AMP.

Key provisions of CIP required that the contract to supply the pumps be awarded to a U.S. company through a competitive bidding process that typically included at least three vendors, and that the pumps be tested and solely manufactured in the United States. To circumvent the competitive bidding process and guarantee that AMP would be selected, El Shehaly submitted fraudulent and inflated competing bids using invoices that appeared to be from two U.S. companies and one actual bid from AMP. El Shehaly then selected AMP to provide the water pumps, which were not only defective but also manufactured in China, contrary to requirements that they be of U.S. source and origin.

Commenting on the sentencing, USAID Acting Deputy Inspector General Catherine M. Trujillo stated, "I commend the efforts of our investigators and federal partners to ensure that those who commit fraud in connection with foreign assistance programs are held accountable. We will continue to work together to make certain that those responsible for managing taxpayer funds do not abuse the public's trust."

Earlier this year, agents from the USAID Office of Inspector General (OIG) apprehended El Shehaly outside Chicago O'Hare International Airport while he was traveling from Cairo to Memphis. The arrest was the result of years of investigation by USAID OIG and involved planning and coordination with the U.S. Attorney's Office for the Western District of Tennessee, the Department of Justice, the Department of Homeland Security, and the Department of State.

The USAID OIG conducted the investigation and worked with the U.S. Attorney's Office for the Western District of Tennessee to bring the case to conclusion.

Assistant United States Attorney Christopher E. Cotten represented the government in this case.

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