

Upstate New York Businessman Pleads Guilty to Wire Fraud, Pays More Than \$700,000 to Resolve False Claims Act Liability - GSA Office of Inspector General
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Department of Justice

U.S. Attorney's Office

Northern District of New York

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FOR IMMEDIATE RELEASE

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Daren Arakelian Admits to Deceptively Marketing and Selling Chinese Goods to the Federal Government

ALBANY, NEW YORK – Daren Arakelian, age 52, of Rensselaer, New York, pled guilty today to wire fraud for a scheme to import Chinese goods into the United States and then causing his company, Great 4 Image, Inc., to deceptively market and sell those goods to federal agencies as U.S.-made. Arakelian has also agreed to pay \$702,000, plus interest, to the United States to resolve his civil liability for his submission of false claims for payment to the federal government.

The announcement was made by United States Attorney Grant C. Jaquith; Leigh-Alistair Barzey, Special Agent in Charge, Defense Criminal Investigative Service, Northeast Field Office; Joseph Dattoria, Special Agent in Charge of the General Service Administration, Office of the Inspector General; and Julio Santana, Acting Special Agent in Charge of the Washington Regional Office of the Department of Homeland Security, Office of the Inspector General.

“Daren Arakelian bilked the United States by telling officials that his products were made in America when they were actually made in China,” said United States Attorney Grant C. Jaquith. “We will continue to use the False Claims Act and the wire fraud statute to hold unscrupulous and greedy contractors accountable, and to make sure our nation gets the American made goods it pays for.”

Arakelian owned and operated Great 4 Image, a company that contracted with various federal agencies to produce backpacks, duffle bags, cinch bags, hydration packs, t-shirts and individual suspension trainers. Each of his company's contracts required Great 4 Image to comply with the Buy American Act and/or the Trade Agreements Act, laws that Congress enacted for the purposes of promoting the United States' trade interests.

The Buy American Act restricts the federal government's purchase of goods that are not domestic end products. The Trade Agreements Act establishes additional restrictions on purchases of products made outside the United States, and generally prohibits government contracting officials from purchasing products that are not entirely from, or substantially transformed in, the United States or a designated country. The Trade Agreements Act effectively waives the requirements of the Buy American Act for designated countries. China is not a designated country.

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As part of the civil settlement and guilty plea, Arakelian admitted that he devised and implemented a scheme to defraud the federal government by causing Great 4 Image to import goods, including thousands of backpacks and suspension trainers, that were made in China into the United States and then passing them off as compliant with the Buy American Act and the Trade Agreements Act. In carrying out this scheme, Arakelian made various verbal and written statements to federal officials falsely claiming to have domestically manufactured the goods that he knowingly imported from China.

As a result of his conviction, Arakelian faces up to 20 years in prison, and a term of post-release supervision of up to 3 years. A defendant's sentence is imposed by a judge based on the particular statute the defendant is charged with violating, the U.S. Sentencing Guidelines, and other factors. Sentencing is scheduled for July 14, 2020 before Chief U.S. District Judge Glenn T. Suddaby.

"The plea and settlement agreements announced today are the direct result of a joint effort by the Defense Criminal Investigative Service (DCIS), the U.S. Army Criminal Investigation Command, the U.S. General Services Administration, the U.S. Department of Homeland Security and the U.S. Attorney's Office for the Northern District of New York," said Leigh-Alistair Barzey, Special Agent-in-Charge, DCIS Northeast Field Office. "The DCIS will continue to work with its law enforcement partners to protect the U.S. Defense Department's procurement process and ensure that U.S. Government contractors provide products and services in compliance with all contractual requirements."

"The General Services Administration's Office of Inspector General (GSA-OIG) is committed to protecting the integrity of the GSA's procurement process and ensuring that government contractors comply with all applicable laws and regulations, including the Buy American Act and the Trade Agreements Act," said Joseph Dattoria, Special Agent in Charge of GSA-OIG. "Today's resolution is a testament to that commitment and should serve as a wake-up call to other contractors who may consider violating the Buy American Act and the Trade Agreements Act clauses of their contracts. We appreciate the collaborative efforts of the Department of Justice and our other law enforcement partners."

"The Department of Homeland Security Office of Inspector General (DHS-OIG) will continue to ensure that companies doing business with DHS comply with the Buy American Act and/or the Trade Agreements Act," said Julio Santana, Acting Special Agent in Charge of the Washington Field Office of DHS-OIG.

The investigation and resolution were the result of a coordinated effort among the U.S. Attorney's Office for the Northern District of New York, GSA-OIG, DCIS, DHS-OIG, and the U.S. Army Criminal Investigative Command. The U.S. Department of the Treasury's Office of Inspector General also provided investigative support. The civil case was handled by Assistant United States Attorney Adam J. Katz. The criminal case is being prosecuted by Assistant United States Attorney Joshua R. Rosenthal.

Source: U.S. Department of Justice [press release](#).