

Crime Awareness Newsletter

Volume 04

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Courtesy of the
Department of Defense
Office of the Inspector General
Defense Criminal Investigative Service
Central Field Office



Credit Card Fraud

An indictment was returned against Charles D. Hawkins, Alexandria, VA, charging him with three counts of unlawful possession of a firearm and ammunition by a convicted felon. Hawkins ran CJ's Stationary, Suitland, MD. He allegedly participated in a scheme to defraud Government agencies, including the DoD and the Environmental Protection Agency (EPA). He allegedly conducted bogus transactions with employees of the Government entities using their Government purchase cards. Allegedly, neither the DoD nor the EPA received a product for the seemingly bogus transactions and Hawkins reportedly split the proceeds with the conspiring Government employees. The weapons, a .357 caliber handgun and a shotgun with a pistol grip, were discovered in Hawkins' residence during the execution of a Federal search warrant. Hawkins has three prior convictions for burglary and armed robbery. The Mid-Atlantic FO is conducting the investigation with the Federal Bureau of Investigation (FBI), the U.S. Army Criminal Investigation Command (USACIDC) and the EPA, with assistance from the Purchase Card Joint Program Management Office, Under Secretary of Defense for Acquisition and Technology.

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Indictments

False Statements

A three-count indictment was returned against Donna D. Pegues-Carter, a GS-4 military records clerk for the U.S. Army Reserve Personnel Command, St. Louis, MO. She was charged with allegedly fraudulently applying for and receiving public assistance benefits. From December 1993 to December 1999, Pegues-Carter allegedly concealed her Federal employment from the Missouri Division of Family Services when applying for and obtaining public assistance benefits that included Aid to Families with Dependent Children, food stamps and Medicaid. The Central Field Office (FO) is conducting the investigation jointly with the Missouri Department of Social Services.

False Certifications

Subsequent to indictment for alleged false statements and mail fraud, arrests were made of Jorge Angulo, Gerardo Hernandez and Ruben Colon. An investigation disclosed that International Jet Repair, Incorporated (IJR), Hialeah, FL, a Federal Aviation Administration certified repair station, allegedly improperly repaired Pratt & Whitney (P&W) JT8D combustion chambers. These parts have been identified as flight critical aircraft parts. Specifically, the mount lug bushing on the chambers allegedly were not properly replaced per P&W specifications. The IJR allegedly provided falsified certificates of conformance to Dallas Aerospace, Carrollton, TX, stating that IJR placed new bushings in the chambers. Actually, IJR took the used bushings that were in the chambers and reinstalled them without properly repairing them. The failure to replace the bushings could have resulted in the catastrophic failure of the aircraft and loss of life. The Southwest FO is conducting the investigation with the Department of Justice (DOJ).

Kickbacks

Subsequent to a 14-count indictment, Carl Douglas Fenstermacher, former project manager for Dames & Moore, Incorporated, Los Angeles, CA, was arrested on alleged charges of kickbacks, mail fraud, conspiracy, money laundering and aiding and abetting. In a related case, an information was filed against Robert Long, former employee of Dames & Moore, charging him with conspiracy and receiving kickbacks. From 1996 through 1999, Fenstermacher had oversight of 14 DoD contracts. During this time, he allegedly solicited and received approximately \$105,000 in kickbacks from Tony Fetherling, president of Midwest Soil Remediation, Incorporated, Elgin, IL, and approximately \$380,000 in kickbacks from Daniel F. Nobel, president of Certified Cleaning Services, Tacoma, WA. Fenstermacher shared the alleged kickback from Fetherling with Long. To conceal and launder the kickback proceeds, Fenstermacher allegedly created two fictitious businesses--Doug's Designs and Aravis Enterprises--to funnel and conceal the monies obtained through his activities. It is believed the kickback payments were passed on to the Government through the DoD contracts of Dames & Moore. The Western FO is conducting the investigation with the USACIDC and the Internal Revenue Service (IRS).

False Claims

Additional indictments were returned as a result of the 4-year undercover investigation--Operation Knotdock--into the maritime industry. Charged were: Krishan Mohan Verma, former port engineer for Key-

stone Shipping Company, Beaumont, TX - five counts of providing false claims and conspiracy to provide false claims to the Government. Verma allegedly provided proprietary bid information to a Government subcontractor. As a result, the subcontractor was awarded four subcontracts at inflated costs that were ultimately passed on to the Government. Francis Peter O'Connell, supervisory marine surveyor for the U.S. Maritime Administration, Department of Transportation (DOT), Beaumont, TX - four counts of receiving unauthorized compensation as a Government employee and providing false statements to the Government.



O'Connell allegedly received compensation from BGI Enterprise, Inc. (BGI), a Government contractor, for assisting BGI in preparing a bid package submitted to the U.S. Coast Guard on a contract to remove sunken barges along the Intracoastal Waterway in Texas. O'Connell allegedly failed to disclose this compensation on an annual financial disclosure form signed by Government employees and mandated by Federal law. Operation Knotdock identified widespread corruption in the repair and maintenance of Government ships in the DoD Military Sealift Command fleet and the

DOT Maritime Administration. These fleets operate and maintain several hundred ships that are used in case of war or national emergency. The Houston Resident Agency (RA) is conducting these investigations with the FBI, the Naval Criminal Investigative Service (NCIS) and the DOT.

Conspiracy

An 18-count indictment was returned against Michael A. Taylor and Benjamin G. Taylor, Jr., Columbus, OH, charging them with aiding and abetting, conspiracy, mail fraud, wire fraud and making false statements on a tax return. Michael Taylor, a Defense Supply Center Columbus (DSCC) employee, was president of Worldwide Marketing, Incorporated (Worldwide), an illegal pyramid scheme. Michael Taylor and his brother, Benjamin Taylor, allegedly operated the pyramid scheme on the premises of the DSCC, the Defense Finance and Accounting Service (DFAS) Center-Columbus and throughout the Columbus, OH, metropolitan area from September 1997 through March 1998. Worldwide was disguised as a multi-level marketing company that sold travel certificates to DoD employees and other individuals. Investigation determined those certificates had a wholesale cost of approximately \$69 and were not valid. Although the amount paid by each individual varied, the majority of participants each purchased \$500 increments of travel certificates. Each \$500 purchase secured a spot in a "bonus pool" that eventually paid a bonus of \$3,500 per spot when and if each participant's purchase number moved to the top of the pyramid. At that point, the pyramid had generated \$50,000 of

income; \$35,000 was to be paid out to the top levels of the pyramid and Worldwide kept a \$15,000 profit. Only a select few of the participants ever received their "bonus money." The Columbus RA is conducting the investigation jointly with the Internal Revenue Service (IRS), the U.S. Postal Inspection Service (USPIS) and the Police Department of Reynoldsburg, OH.

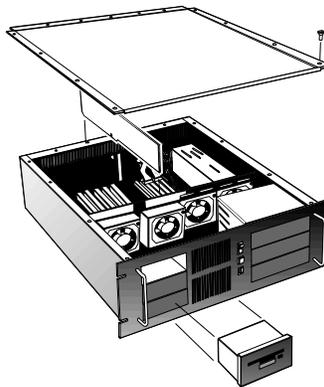
False Statements

Subsequent to a criminal complaint, Miguel A. Garcia, a DoD police officer assigned to Fort Monmouth, NJ, was arrested. He is charged with allegedly possessing numerous parking placards bearing the seals and insignias of various U.S. departments and agencies (including the DoD), possession of equipment and materials for manufacturing and laminating parking placards, selling two U.S. Marshals Service shields, and making false statements on two occasions concerning that sale. The New York RA is conducting the investigation in conjunction with the Criminal Investigators Unit, U.S. Attorney's Office, Southern District of New York; the New York State Inspector General's Office; and the New York State Commission of Investigation.

Computer Fraud

A two-count information was filed against Staff Sergeants Raymer Lee Shaw and Jack Charles Satterfield, members of the Arizona National Guard (AZNG), Marana, AZ. Each was charged with fraud and related unauthorized activity with a U.S. Government computer device and malicious activity involving a U.S. Government communication line, station or

system. The charges stemmed from computer intrusion activity initiated against the AZNG computer network in December 1999, that was discovered by AZNG Headquarters personnel in March 2000. An investigation determined that Shaw and Satterfield, both assigned to the Medical Clinic, AZNG Western Army Aviation Training Facility, Marana, allegedly changed the legitimate name of an AZNG computer workstation to mask their downloading of unauthorized software. They then loaded the unauthorized software, which was designed to capture computer passwords, onto an AZNG network computer and used the software to identify the passwords of AZNG computer users. The alleged computer intrusions did not impact classified or personal information. The Phoenix RA is conducting the investigation.



Mail Fraud

A nine-count criminal information was filed against Chutchai Gary Khanijao, Nashua, NH, and KKP Corporation, Incorporated (KKP), Nashua, NH, charging them with conspiracy to defraud the United States, mail fraud, aiding and abetting, and conspiracy to obstruct justice. Khanijao is the owner and president of KKP, a Small Business Administration certified 8 (a) business. KKP has technical

and labor service contracts with the General Services Administration (GSA) for the United States Air Force, in addition to providing computer hardware to the Air Force through GSA contracts. Beginning sometime prior to June 1997 until about February 2000, Khanijao conspired with others to allegedly receive and distribute kickbacks from a company that was supplying computer-related equipment to KKP on GSA contracts. Co-conspirators of Khanijao directed and facilitated the purchase by the Air Force through contracts with the GSA of over 1,000 computer storage devices from KKP. KKP purchased the computer storage devices from a New Jersey corporation that added \$500 to the cost of each storage device sold to KKP. Khanijao and his co-conspirators then issued invoices to the New Jersey corporation for the additional \$500 per device sold, specifying fictitious services that were never provided. Khanijao and KKP also allegedly diverted between \$5 and \$10 million in unlawful profits as a result of the computer memory sales to the Air Force. The Boston RA is conducting the investigation with the FBI, the GSA, and the U.S. Air Force Office of Special Investigations (AFOSI).

Conspiracy to Steal

Micah Hill pled guilty in the Southern District of Ohio to one count of conspiracy to steal U.S. mail. As part of a larger conspiracy, Hill had stolen private and U.S. Treasury checks from the U.S. mail. The stolen checks were then provided to other members of the conspiracy who subsequently illegally negotiated several of the checks. These actions were uncovered during

an investigation into DoD checks stolen from the DFAS. It was discovered individuals had entered the Main Post Office, Columbus, OH, and had stolen various checks and credit cards from the U.S. mail, to include DFAS payment checks. The Columbus RA conducted the investigation USPIS.

False Statement

Stephanie Fogg-Canty, a buyer with the Defense Supply Center Richmond, VA, pled guilty to one count of making a false statement. As a condition of her plea, Fogg-Canty agreed to make restitution of \$10,456 to the DFAS in Columbus, OH. An investigation disclosed Fogg-Canty submitted false claims in connection with the receipt of over \$22,500 in travel advances when transferring from the Defense Supply Center Philadelphia, PA, to the Defense Supply Center Richmond, VA, in 1998. Fogg-Canty altered documents submitted to the Government to substantiate her costs. The Richmond Post of Duty (POD) conducted the investigation jointly with the Defense Logistics Agency.



Theft

Army Sergeant First Class Don M. Damron, Fort Lee, VA, pled guilty to one count of theft of Government property. Damron stole approximately 500 cases of Meals Ready-to-Eat (MREs), valued about \$25,000, from Fort Lee. The MREs are packaged

individual meals used when military members are on field activities away from dining facilities. The Richmond POD conducted the investigation with the USACIDC.

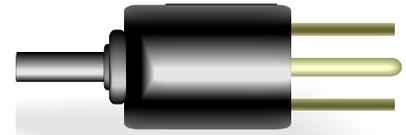
False Claims

Amos B. Clarke, executive vice president, Pruitt Energy Sources, Incorporated (Pruitt), Hyattsville, MD, pled guilty to submitting false claims to the Government. In 1994, Pruitt was awarded a U.S. Army Corps of Engineers (COE) contract, valued at \$560,000, to provide services to repair computer equipment for the COE and other Federal agencies throughout the Pittsburgh District. Clarke obtained parts from vendors and thereafter provided the Government with altered and fictitious invoices that fraudulently inflated prices. Clarke also submitted invoices to the COE for parts that Clarke knew were never delivered. The Pittsburgh POD conducted the investigation.

Theft

Julius Jerome Cullen, store director for the Great Lakes Commissary, Defense Commissary Agency, Great Lakes, IL, pled guilty to one count of theft. From November 1997 to September 1998, Cullen instructed his subordinate commissary employees to illegally convert numerous vendor promotional checks into cash. The employees then provided the cash to Cullen. The intent of the vendor promotional checks is to increase the sales of the vendor's products by reducing the cost of the promotional items to commissary patrons. Cullen's theft deprived the customers of lower prices and the commissary of

increased sales volume. The Chicago POD conducted the investigation.



False Statement

Dan Massey and his company, Rhimco Industries, each pled guilty to making a false statement. An investigation of Rhimco, a manufacturer of electrical connectors, and Massey disclosed that the defendants supplied untested critical application aircraft parts to the DoD and commercial customers. Between 1992 and 1996, various U.S. military components reported that Rhimco electrical connectors routinely failed in their intended use in aircraft and weapon systems. In addition, Rhimco connectors provided for testing yielded significant failures. In response to inquiries from DoD officials regarding Rhimco part failures, Massey falsely provided a bogus specification to the DoD in his attempt to provide the untested parts. The Northeast FO conducted the investigation jointly with the DOT and the FBI.

Wire and Mail Fraud

Samiha Mitwally, president of Medi-Peth Medical Laboratory (Medi-Peth) and Medi-Peth, Lake Hopatcong, NJ, pled guilty to various counts of mail fraud, impersonation of Government officials, wire fraud, false claims and bankruptcy fraud. In 1997, Mitwally devised a scheme where her companies would receive small dollar purchase or-

der contracts from various DoD medical centers and hospitals. She would then impersonate a DoD contracting officer to order the goods directly from a legitimate medical supply vendor, normally the manufacturer. The vendor, believing it had been awarded a Government contract, would supply the items directly to the DoD but payment would go to Mitwally. Mitwally also falsified a shipping invoice to make it appear she had paid for the shipping costs on a Government contract, when her vendor had paid the shipping costs. After numerous defrauded vendors attempted to recover money from Medi-Peth, Mitwally took steps to protect assets held in her name by assuming the alias Mrs. Elaine Adams. In 1998 and 1999, under this alias, she filed petitions for bankruptcy for MediPeth with the U.S. Bankruptcy Court, Newark. The New Jersey RA conducted the investigation with the FBI, the USACIDC, the Department of Veterans Affairs and the Agency for International Development.



Conspiracy to Mail Fraud

Ben Lazev, former purchasing agent for Yardney Technical Products (Yardney), Pawcatuck, CT, pled guilty to conspiring to commit mail fraud. Lazev accepted cash payments from officials of Boliden Metech, a precious metal recycler in Rhode

Island, in return for accepting less silver in settlement than was actually due. Lazev had been employed by Yardney for 36 years. Yardney, a Government contractor, produces batteries used in a variety of military applications, including torpedoes. Silver is used in the manufacture of the batteries and is supplied in large part by the DoD. The conspiracy took place over a period of approximately 25 years and resulted in the loss of hundreds of thousands of dollars to the DoD and others. The cash to pay Lazev was generated by former Boliden Metech managers through a variety of fraudulent schemes that included the theft of precious metal scrap from customers and the eventual processing of the stolen material under fictitious customer lots. The value was then returned to the conspirators in the form of gold bullion that was later transported interstate and converted to cash. Four former Boliden Metech managers have already pled guilty to Federal criminal charges in connection with the conspiracy. The Hartford RA conducted the investigation with the NCIS.

Kickbacks

Tony Fetherling, president of Midwest Soil Remediation, Elgin, IL, pled guilty to conspiracy and paying kickbacks in connection with DoD contracts. In a related case, Daniel F. Nobel, president of Certified Cleaning Services, Tacoma, WA, also pled guilty to conspiring to pay kickbacks in connection with DoD contracts. Fetherling allegedly paid approximately \$105,757 in kickbacks to Carl Douglas Fenstermacher, a project manager for Dames & Moore. Dames & Moore was

awarded a contract with the U.S. Army for environmental remediation of a coal pilot plant at Fort Lewis, WA. Fenstermacher allegedly solicited Fetherling for a kickback of \$1 per ton of soil treated. Nobel, through Certified Cleaning Services, allegedly paid Fenstermacher approximately \$383,000 in kickbacks. In both cases, the defendants and Fenstermacher devised a scheme whereby payments were made to fictitious companies allegedly set up by Fenstermacher. The kickbacks insured subcontracts from Dames & Moore for Midwest Soil Remediation and Certified Cleaning Services. It is believed these kickback costs were passed on to the DoD through Dames & Moore's contracts. The Western FO conducted the investigations with the IRS and the USACIDC.



Sentences

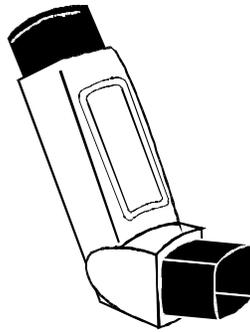
Gratuities

Anthony Frizzi, Revere, MA, was sentenced to 6 months home detention, 2 years probation, a \$5,000 fine and a \$100 special assessment. Frizzi previously pled guilty to charges that he violated the Taft-Hartley Act by accepting wages for a no-show job at a Boston shipyard. Frizzi was a paid union official of Union Local S-25, International Association of Machinists and Aerospace Workers, Boston, MA. Union Local S-25 held a contract with a South Boston,

MA shipyard, Boston Ship Repair, Incorporated (BSR), that worked on U.S. Navy vessels. While collecting wages from the union, Frizzi went on the payroll of BSR and collected wages from the union and BSR. While Frizzi was paid by BSR for a 40-hour week, at most he worked only a few hours per week, and most of his time was spent on union business, not as a tradesman for the shipyard. Under the Taft-Hartley Act, this is an illegal gratuity. The investigation also determined Frizzi used the Social Security Number of his son when he signed on as a BSR employee, thereby attempting to disguise the fact he was receiving the illegal income. The owners of BSR were previously convicted for paying kickbacks to obtain DoD ship repair business. The Boston RA conducted the investigation with the FBI and the Department of Labor.

False Claims

Stephen Scott McLemore was sentenced to 21 months imprisonment, 3 years supervised release, ordered to pay \$94,035 in restitution, a \$5,000 fine and a \$100 special assessment fee. McLemore previously pled guilty to filing false claims with the Government. McLemore was a durable medical equipment supplier in Columbus, MS, doing business as Southern Pharmaceutical Consultant and Southern Pharmaceutical Corporation. As such, he supplied a physician prescribed inhalant medication to patients, then billed TRICARE and Medicare for a different inhalant medication with a higher reimbursement rate. The Nashville POD conducted the investigation with the FBI and the Department of Health and Human Services (HHS).



Theft

Barbara J. Reuter, Reuter and Associates Center for Treatment & Recovery, Stafford, VA, was sentenced to 30 days home detention, 5 years probation (90 days of which are supervised) and was ordered to pay \$10,000 in restitution. Reuter previously pled guilty to theft of Government funds. From July to November 1997, Reuter billed the DoD TRICARE and Medicare for psychotherapy counseling services that were either never performed or were provided by unauthorized TRICARE and Medicare providers. Reuter also subsequently billed for services that were performed by other mental health professionals. The Baltimore RA conducted the investigation with the HHS.

Kickbacks

Henry J. Mathieu, Jr., East Taunton, MA, was sentenced to 6 months home detention, 2 years probation and a \$40,000 fine. Mathieu previously pled guilty to conspiracy and violating the Anti-Kickback Act. Mathieu is the owner and president of Synertron Associates, Incorporated (Synertron), Middleboro, MA. Synertron, a machine shop, manufactures and sells electro-mechanical components to Defense contractors that include Raytheon Corporation and computer and medical industry

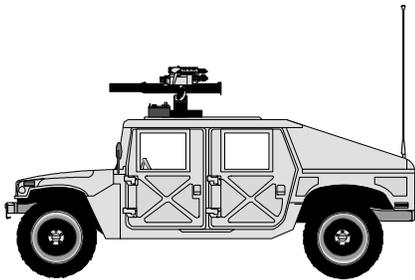
firms. Mathieu also owned and controlled Tri-Co. Realty Trust and FSW, unincorporated businesses he used for conducting various business transactions. From sometime prior to January 1990 to about May 1997, Mathieu and others conspired to defraud the United States and the IRS. Mathieu paid kickbacks to a Raytheon employee in Portsmouth, RI, and Andover, MA, as well as an employee of LTX Corporation in Westwood, MA, for favorable consideration in the award of contracts. Mathieu disguised these payments to Tri-Co. and FSW to receive cash to make the payments. In addition, some or all of the kickbacks were claimed as business deductions on Synertron's tax returns and as deducted personal expenses on his corporate tax return. Payments to LTX were in cash, thus enabling the recipient to evade taxes as well. The Boston RA conducted the investigation with the FBI and the IRS.



Theft

Patrick Ray Cook, Okmulgee, OK, and Zackariah O'Brien Stanley, Okmulgee, OK, were sentenced as follows: Cook - 5 months incarceration, 5 months home confinement, 3 years of supervised probation, restitution of \$17,367, and a \$100 special assessment; Stanley - 24 months supervised probation, 4 months home confinement, restitution of \$17,367,

and a \$100 special assessment. Cook and Stanley previously pled guilty to theft of Government property. They broke into the 316th Quartermaster Battalion, U.S. Army Reserve, Okmulgee, OK, and stole a High Mobility Multi-purpose Wheeled Vehicle (HUMVEE). The HUMVEE was then driven to secluded acreage and stripped of its top, doors and cryptograph communication radio and used as a recreational vehicle until abandoned several weeks later. When the Government recovered the HUMVEE and the radio, neither one was serviceable. The Tulsa POD conducted the investigation.



False Claims

Lannes Neil Johnson was sentenced in U.S. District Court, Springfield, MO, to 3 years probation and a \$50 special assessment fee. Johnson previously pled guilty to conspiring to submit false claims to the Government. Johnson is a former laboratory manager for Mid America Clinical Laboratories. In that position, he obtained over \$200,000 from false claims submitted to the HHS and the DoD. Johnson devised a scheme wherein he submitted Medicare and TRICARE beneficiary's requests for payment of clinical laboratory services that were not ordered by physicians or were billed as component elements of

chemistry test panels or profiles. The Central FO conducted the investigation with the USPIS and the HHS, with audit support from the Health Care Finance Administration.

False Claims

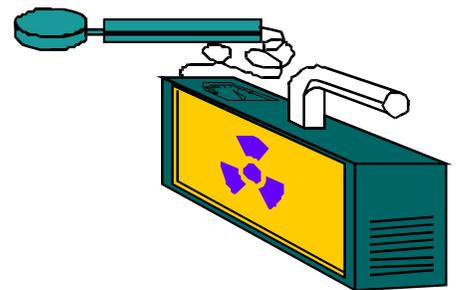
A civil complaint was filed against Mil-Spec Acoustics Corporation (Mil-Spec), Brooklyn, NY, seeking treble damages and civil penalties under the False Claims Act for allegedly submitting false claims to the U.S. Army Communications and Electronics Command (CECOM). The complaint alleges that Mil-Spec submitted false and/or fraudulent claims to CECOM for the production of Vehicular Intercommunications (VI) Systems for the Army's fleet of "first to fight" combat vehicles. A component of the VI System (the LS-688 loudspeaker) allegedly was not manufactured in accordance with the contract specifications and Mil-Spec personnel manipulated the test procedures to make it appear the units passed the required tests. As a result, CECOM sustained damages of at least \$500,000. The New York RA is conducting the investigation jointly with the USACIDC and with audit assistance from the Defense Contract Audit Agency.

Civil Settlements

Qui Tam

Douglas Colkitt, M.D., owner and operator of Equimed, Incorporated (formerly Oncology Associates, P.C.), reached a civil settlement in the matter of United States of America ex rel. Rahman v. Oncology Associates, P.C., et al. Colkitt agreed to settle the case for \$9,885,000

and to pay attorney fees of \$115,000 for Dr. Syed Rahman, who filed a qui tam lawsuit in the case. Colkitt, and over 70 of his entities, did not admit any wrongdoing and agreed to Corporate Integrity Agreements being installed within his companies. The settlement does not involve Equimed and several of its subsidiaries, as it is currently involved in a bankruptcy proceeding in the District of Maryland. The investigation of Equimed was for alleged health care fraud in the radiation oncology field and centered on allegations of billing for services not rendered and up-coding services. Health care claims were sent to Government programs such as Medicare and TRICARE, as well as private third party payers. Equimed, a national company, operates radiation oncology centers throughout the United States. The company's billing policies and procedures originate from its headquarters in State College, PA. The Baltimore POD conducted the investigation with the HHS.



Healthcare

A \$650,000 civil settlement was reached with the Gentiva Health Services, Incorporated, a Delaware corporation and successor in interest to Quantum Health Resources and the Ols-

ten Corporation, Albuquerque, NM (referred to collectively as Quantum). An investigation disclosed that between 1993 and 1997, Quantum improperly billed for nonprescription medications and hemophilia drugs, to include fraudulent claims for payment submitted to the DoD TRICARE program. The Albuquerque POD conducted the investigation with the FBI, the Medicaid Fraud Control Unit of the New Mexico Office of the Attorney General, and the TRICARE Program Integrity Office.



Healthcare

New England Health Associates, Incorporated (NEHA), agreed to pay the Government \$493,465 to settle allegations under the False Claims Act that NEHA submitted, or caused to be submitted, false claims to the Medicare, Medicaid and TRICARE programs. On discovering billing problems in connection with a particular physician's services, NEHA voluntarily reported the inaccurate bills to the Government, sought to resolve liabilities resulting from the improper bills, and took immediate corrective action to resolve the billing problem for the future. The Government contends that NEHA billed higher reimbursing codes for evaluation and management services that were supplied by a physician who actually performed services, costs that should have been billed at a lower reimbursing level, or not

billed at all. The improper billing occurred from 1995 to 1997. The Boston RA conducted the investigation with the FBI and the HHS.

False Claims

Under a settlement reached with Systems and Electronics, Incorporated (SEI), Elk Grove Village, IL, the company will pay the Government \$175,000 to settle allegations it submitted false claims under a U.S. Navy contract to manufacture aircraft stress gauges. The settlement does not constitute an admission of wrongdoing, liability or an adjudication of any issue. Under the contract, SEI used estimated contract labor rates, which were higher than its actual rates, to calculate and submit claims. The contract required the disclosure of decreases in the actual labor rates from the estimated rates. However, the SEI allegedly concealed a decrease in the actual labor rates, thereby preventing the DoD from renegotiating the estimated labor rates to the lower, actual rates. Additionally, SEI allegedly proposed contract labor rates based on personnel who never worked for or discussed employment with the company and, in some cases, had never heard of SEI. The Chicago POD conducted the investigation jointly with the NCIS.

False Claims

Jacques Dimitrie Glover, a supply technician with the Defense Logistics Information Service, Defense Logistics Agency, Battle Creek, MI, entered into a civil settlement agreement to pay the Government \$5,000, plus accrued interest. An investigation disclosed that Glover had submitted false claims for reim-

bursement of moving expenses in connection with her Government paid relocation from Dayton, OH, to Battle Creek, MI. On January 25, 2000, Glover pleaded guilty to theft of public funds and was sentenced to make restitution of \$3,179.57 and pay a \$25 special assessment. The Chicago POD conducted the investigation jointly with the Defense Logistics Agency Criminal Investigations Activity.

HealthCare

Charter Hospital, Incorporated (Charter), entered into a national settlement with the Government and agreed to pay \$7 million to resolve claims of overcharging Federal health care programs, including Medicare and TRICARE. As part of the settlement, Charter could pay an additional \$8 million in compensatory damages for fraud. The Health Care Financing Administration retains the right to audit Charter's fiscal year 2000 claims and recover any overpayments made to Charter. Charter is currently in Chapter 11 bankruptcy proceedings and is liquidating its assets. The Indianapolis RA conducted the investigation with the HHS and the FBI.





To report suspected criminal activity involving the Department of Defense please contact the nearest Defense Criminal Investigative Service office.

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