

Fraud Awareness Newsletter

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



This newsletter is intended to enhance your awareness of fraud involving the Department of Defense (DoD) and what is being done about it. By being better informed you will be better able to help us combat these illegal activities. These articles are based on press releases and public information.

Prosecutions

Foreign Military Sales

An indictment was returned in Alexandria, VA, against Kevin Vincent Hodgson, vice president of Panalpina, Incorporated (Panalpina), Jersey City, NJ, charging him with three counts of filing false Federal income tax returns. Hodgson allegedly filed false tax returns in 1990, 1991 and 1992 by failing to report approximately \$90,000 in cash payments received from Sylvan Friedman, former president and owner of Multi-Modal Freight Systems, Incorporated of Virginia (Multi-Modal). An investigation was conducted into the billing practices of several international freight forwarders relative to the Foreign Military

Sales Program (FMSP) administered by the Defense Security Assistance Agency. Under the FMSP, Panalpina was contracted by the countries of Turkey, Tunisia, Morocco, Malaysia and others to provide freight forwarding services. About March 1990, Multi-Modal contracted with Panalpina to provide warehouse management and transportation services. Shortly thereafter, Friedman allegedly began to pay Hodgson about \$1,000 a week in cash to buy Hodgson's favor in connection with Multi-Modal's contract with Panalpina. Special Agent Richard Latham, Mid-Atlantic Field Office (FO), is conducting the investigation with the Federal Bureau of Investigation (FBI) and the Internal Revenue Service (IRS).



Embezzlement

A 188-count indictment was returned against Elena Rodriguez and Mychael Rodriguez charging them with 186 counts of forgery, 1 count of conspiracy and 1 count of embezzlement/fraud.

From August 1993 to April 1996, Elena Rodriguez allegedly defrauded the Lockheed Martin Services Group (LMSG), Albuquerque, NM, by forging checks for fictitious materials made payable to two companies owned by her husband Mychael Rodriguez. To avoid detection by the prime contractor and other LMSG personnel, Elena altered LMSG documents. She also used other methods to misappropriate LMSG funds. Due to the nature of the direct billings and the indirect cost accounts affected, the embezzled monies were passed on as charges to LMSG and the Department of Defense (DoD). The misappropriated funds totaled \$267,694. Special Agent Jeffery Fauver, Albuquerque Post of Duty (POD), is conducting the investigation with the Albuquerque Police Department.

Donated Property

Aldo Aleszczyk was found guilty of two counts of criminal possession of stolen property. Aleszczyk conspired with David E. Anderson, principal of the Board of Cooperative Educational Services (BOCES), Dix

Hills, NY, to purchase items stolen from BOCES, a vocational school that receives Federal, state and privately donated property. The stolen items, some of which had previously belonged to the DoD, included automobiles, automotive parts, tools and outboard motors. The federally donated property was acquired through the Federal Property Assistance Program, New York State Office of General Services. Special Agent Stephanie Jimrogrou, New York Resident Agency (RA), conducted the investigation jointly with the IRS, the General Services Administration and the Suffolk County District Attorney's Office.

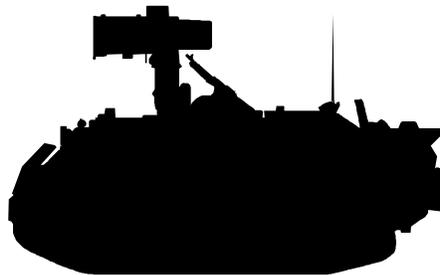
Psychotherapy

Carl R. Hale, a licensed professional counselor in Biloxi, MS, pled guilty to 1 count of false claims. An investigation disclosed that Hale defrauded the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) by billing for psychotherapy services he did not render. Over a 2-year span, Hale carried on romantic relationships with two of his patients and billed CHAMPUS for psychotherapy sessions when he met them for romantic encounters. Hale also falsely billed for a third patient, who was the mother of one of the other two patients. Malpractice suits, license revocation, debarment actions and other civil remedies are being pursued against Hale as well. Special Agent Anthony Burnell, New Orleans RA, conducted the investigation with the

FBI and the Office of Personnel Management, with auditing assistance from the Defense Contract Audit Agency.

Income Tax Fraud

Denis Neill, Bethesda, MD, was found guilty of filing a false tax return. Neill was initially charged with several counts of tax evasion, filing false returns and conspiring with his brother James Neill. James Neill was found not guilty of all charges. An investigation into the Neills' activities revealed an elaborate web of international corporations and bank accounts used to transfer large sums of monies and to evade paying taxes on taxable earnings. At that time, the Neills were lobbyists and Denis Neill was an attorney. In their capacity as lobbyists, the Neills represented major U.S. corporations, including Top 100 DoD contractors and foreign governments. Special Agent Raymond Smith, Mid-Atlantic FO, conducted the investigation with the FBI, the IRS and the Agency for International Development.



Armored Vehicles

Leo Anthony Piatz, Jr., was found guilty on 11 counts of conspiracy and unlawful conversion of Government property. Piatz gave money and other

items of value to various individuals, including civilian Army employees at Fort McCoy, WI, for allowing Piatz to remove military vehicles and heavy equipment from Fort McCoy. The items included TOW missile launchers, track cargo carriers, snow blowers, a Sheridan tank, a bulldozer, a 20-ton crane and forklifts. Piatz and the others, in turn, sold, traded or provided as gifts the property taken from Fort McCoy. Special Agent Kevin Gjertsen, Minneapolis POD, conducted the investigation with the FBI.



Product Substitution

O'Brien Gear Company, Incorporated (OBCO), Highland Park, IL, pled guilty to one count of mail fraud. The company and Harold Clark, OBCO's quality manager, were initially indicted on wire and mail fraud charges. An investigation determined that since 1990, OBCO had knowingly supplied nonconforming items to the DoD under several purchase orders awarded to OBCO by the Defense Supply Center Columbus, OH. Clark had falsely claimed on certificates of conformance that the nonconforming items met the applicable Government specifications. Under a plea agreement, the counts against Clark will be dismissed when OBCO and its president, George O'Brien, are sentenced. Special Agent Michael Hampp, Columbus RA, conducted the investigation jointly with the FBI.

Ambulance Scheme

The following former employees of Big Creek Volunteer Rescue Squad, Incorporated (Big Creek), War, WV, pled guilty to mail fraud: George J. Conormon, Kitty Armedia Hathcock, Bobby Eugene Dawson Hathcock and Kelly Wayne Christian. These Big Creek employees participated in a scheme with Roger Darrell Gibson, president of Quality Ambulance Service, Incorporated (Quality), War, WV, and other employees of Big Creek to submit false health care claims to CHAMPUS and Medicaid. Gibson used Quality and Big Creek to falsely bill CHAMPUS and Medicaid for medically unnecessary ambulance runs, ambulance trips without the required qualified personnel, and ambulance trips that did not occur. Special Agent James Walker, Pittsburgh POD, conducted the investigation jointly with the West Virginia OIG Medicaid Fraud Control Unit, Charleston, WV, and the West Virginia State Police Bureau of Criminal Investigations, Bluefield, WV.

Fuel Theft

Emil Girgis Michael pled guilty to one count of making false statements on a tax return. Michael, a member of the "Mikaelian Organization" (MO) purchased stolen fuel from the MO and sold it through his retail station. An undetermined portion of the stolen fuel was obtained from the Defense Fuel Supply Center. Special Agent Robert Koger, El Segundo RA, conducted the investigation with

the FBI, the IRS, the Department of Transportation and the Los Angeles and Long Beach, CA, Police Departments.

Sentences

Health Care Insurance

Thomas E. Hicks, an Army retiree, pled guilty to one count of mail fraud. Hicks, was immediately sentenced to 30 days of electronically supervised home detention, 60 months probation, restitution totaling \$6,874 and a \$50 special assessment. From October 1991 through December 1994, Hicks mailed numerous fraudulent claims to CHAMPUS that contained altered supporting documents, failed to disclose he was insured through his current employer and submitted multiple claims for the same treatment. Special Agent John Ledden, Indianapolis POD, conducted the investigation.

Contract Fraud

Harry Brocklehurst was sentenced to 6 months incarceration, to be followed by 120 days home detention, 3 years supervised probation, to pay \$42,020.44 in restitution and a \$50 special assessment for making a false claim. In May 1994, Brocklehurst made and presented to the Defense Finance and Accounting Service (DFAS) a \$13,750 false claim requesting payment for seven floor jacks. The jacks were to be provided by Brocklehurst Manufacturing, Incorporated (Brocklehurst Manufacturing), under contract with the Defense Construction Supply Center for various DoD elements. Brocklehurst forged signatures on documents that erro-

neously represented the jacks had been inspected and were ready for shipment to the DoD. Brocklehurst's spouse, Karen, president of Brocklehurst Manufacturing, was previously indicted for involvement in the scheme. Criminal charges against her were dismissed as a result of the above sentencing. Further administrative action against Brocklehurst Manufacturing is being considered. Special Agent Ray Perego, Houston RA, conducted the investigation with the FBI.

Kickbacks

Stephen Broyles was sentenced to 4 months home detention, 36 months probation and a \$100 special assessment for receiving kickbacks. Broyles was the owner/operator of the Florida Impotence Clinic, Clearwater, FL. He received payments for patient referrals to a diagnostic services company, including patients covered by CHAMPUS. Special Agent Robert Calvert, Orlando RA, conducted the investigation with the IRS, the U.S. Postal Inspection Service and the Department of Health and Human Services.

Diet Clinics

Daniel James Herlihy, M.D., was sentenced in Dallas, TX, to 84 months confinement, 3 years probation and a \$600 special assessment for mail fraud, false claims and false statements. Herlihy assisted in a scheme to fraudulently obtain money by submitting false medical insurance claims to CHAMPUS, private insurance companies and self-insured companies. Leatrice

Phyllis Faeder, Lisa Faeder Grossmann and Steve Grossmann opened diet clinics that advertised a "free" medically supervised weight loss program. The clinics subjected weight loss patients to extensive standard testing, then billed their insurance companies between \$600 and \$750 per set of tests. The claims concealed the weight loss treatment and diagnosis of obesity, as they are not covered under medical insurance. Faeder and the Grossmanns were assisted in the scheme by medical doctors, including Herlihy. Special Agent Carlos Ontiveros, Southwest FO, conducted the investigation with the FBI and the U.S. Postal Inspection Service in conjunction with the Metroplex Health Care Fraud Task Force, Northern District of Texas.

Travel Voucher

Martha Anne Rector, civilian accounting technician, formerly employed by the DFAS, Indianapolis Center, Indianapolis, IN, pled guilty to attempted theft of Government funds. The same date, Rector was sentenced to 365 days in prison, 363 days suspended, 90 days probation and \$177 in court costs. Rector was being transferred to the DFAS Denver Center. She submitted a travel voucher and supporting documentation to show she had incurred an expense of \$4,680 for breaking her lease as a result of her transfer. An investigation showed that Rector never incurred the expense and had prepared bogus supporting documentation that included forging the signature of her apartment

manager. Special Agent Christopher Albers, Indianapolis POD, conducted the investigation.



Import Duties

David C. Chen, also known as Chien Hsuan Chen, president and general manager, Masbe Corporation, Limited (Masbe), Tainan, Taiwan, was sentenced to 4 months residential confinement, 5 years probation, a \$2,500 fine, \$17,658 restitution to the U.S. Customs Service (USCS) and a \$50 special assessment. Chen previously pled guilty to conspiracy for using false and fraudulent invoices to introduce merchandise into the United States. Masbe was a manufacturer and worldwide seller of replacement parts for jet engines used on military aircraft, including the U.S. military. Some of the parts were sold to the U.S. Air Force under the Foreign Military Sales program for ultimate use by friendly, foreign military services. Chen and three other Masbe employees entered into a conspiracy with Walter Resnik, president and owner of Aero Export Import Services, Incorporated (Aero Export), Dumont, NJ. A double invoicing scheme was devised that

falsely represented to USCS the true value of jet engine parts exported by Masbe from Taiwan to Aero Export, thus lowering the amount of duty and fees owed to the United States. Resnik was sentenced previously in the case. Special Agent Ray Finnilla, New Jersey RA, conducted the investigation with the USCS, the Department of Transportation and the Air Force Office of Special Investigations.

Civil Settlement Helicopter Gears

A settlement agreement was reached in U.S. Bankruptcy Court between the United States and Speco Corporation (Speco), Springfield, OH. The settlement is the result of a civil complaint filed by a former Speco employee against Speco and Boeing Helicopter Company, Philadelphia, PA, under the qui tam provision of the False Claims Act. Speco agreed to pay the Government an allowed claim of \$7.2 million and to provide the DoD with inventory and intellectual property valued at an additional \$8 million to settle Government claims of excessive costs related to unperformed contracts. Speco manufactured flight critical helicopter gears used in the engine and combiner transmissions of the Boeing CH-47D Chinook helicopter. The Government's settlement with Speco does not, however, resolve the qui tam lawsuit against Boeing Helicopter Company. Special Agent Conrad Swensen, Dayton RA, conducted the investigation with the U.S. Army Criminal Investigation Command.



To report suspected fraud involving to Department of Defense or to comment on this newsletter please contact the nearest Defense Criminal Investigative Service office. The addresses and telephone numbers of the offices that are part of the Central Field Office are listed below.

CENTRAL Field Office
8000 Maryland Avenue
Suite 720
Clayton, MO 63105-3767
Voice: (314) 727-5644
Telefax: (314) 727-6250

CHICAGO Resident Agency
2350 E. Devon Ave., Suite 150
P.O. Box 483
Des Plaines, IL 60018-4606
Voice: (847) 827-9480
Telefax: (847) 827-3724

CLEVELAND Resident Agency
7550 Lucerne, Suite 200
Islander Park One Building
Middleburg Heights, OH 44130
Voice: (216) 522-2296/7
Telefax: (216) 522-7196
FTS: 942-2296/7

COLUMBUS Resident Agency
P.O. Box 13163
Whitehall Branch,
Columbus, OH 43213-0163
Physical Location:
Defense Supply Center
3990 E. Broad St., Bldg. 100
Columbus, OH 43213-5000
Voice: (614) 692-3629/3855
Telefax: (614) 231-8905

DAYTON Resident Agency
3055 Kettering Blvd.
Suite 205
Dayton, OH 45439
Voice: (937) 534-0100
Telefax: (937) 534-0117

KANSAS CITY Resident Agency
Federal Building, Room 565
500 State Street
Kansas City, KS 66101-2433
Voice: (913) 551-1350
Telefax: (913) 551-1362

INDIANAPOLIS Post of Duty
Attn: Column 117W
8899 East 56th Street
Indianapolis, IN 46249-4500
Voice: (317) 542-4009
Fax: (317) 542-4012

MILWAUKEE Post of Duty
301 W. Wisconsin Ave.
Suite M-95
Milwaukee, WI 53203
Voice: (414) 297-1810
Telefax: (414) 297-1817

MINNEAPOLIS Post of Duty
Galtier Plaza, Box 14, Suite 414
175 East Fifth Street
St. Paul, MN 55101-2901
Voice: (612) 222-0212
Telefax: (612) 222-8316

SIOUX FALLS Post of Duty
c/o U.S. Attorney's Office
P.O. Box 5073
Sioux Falls, SD 57102
Physical Location:
U.S. Attorney's Office, Suite 600
230 S. Phillips Avenue
Sioux Falls, SD 57102
Voice: (605) 330-4400
Telefax: (605) 330-4410

WICHITA Post of Duty
53456 Lawrence Ct. Suite 230
McConnell AFB, KS 67221
Voice: (316) 682-1991
Telefax: (316) 682-1609

You may also call or write the Department of Defense Hotline at
Defense Hotline
The Pentagon
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Voice: (703) 604-8546

