

Fraud Awareness Newsletter

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**Courtesy of the
Department of Defense
Office of the Inspector General
Defense Criminal Investigative Service**

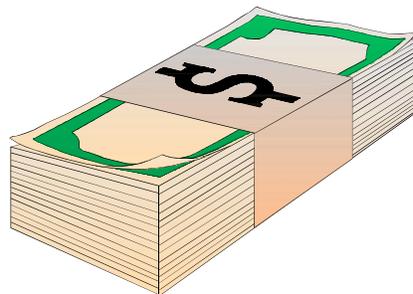


This newsletter is intended to enhance your awareness of fraud involving the Department of Defense (DoD) and what is being done about it. By being better informed you will be better able to help us combat these illegal activities. These articles are based on press releases and public information.

Prosecutions Kickbacks

An indictment was returned against Dr. David E. Sternberg, a psychiatrist practicing in the Kansas City, KS, metropolitan area, charging him on 25 counts of submitting false claims, interstate transportation in aid of racketeering, money laundering, and soliciting a bribe from a hospital that received in excess of \$10,000 or more per year in Federal funds. From 1990 through 1995, Sternberg operated a psychiatric practice and enriched himself by allegedly maximizing reimbursements from Federal and private insurance programs. Sternberg's scheme included allegedly paying a kickback of 15 percent of the amount he col-

lected for treating patients referred to him by a psychologist, laundering money and promoting the kickback scheme by depositing the proceeds collected from the kickback scheme, and soliciting a \$250,000 bribe and the referral of 25 new patients per month from a psychiatric hospital in return for his agreement to refer patients for hospitalization. The calculated overpayment by the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) to Sternberg is approximately \$49,500. Special Agent Troy Bird, Kansas City Resident Agency (RA), is conducting the investigation with the Federal Bureau of Investigation (FBI).



Foot Powder

An information was filed against Moyco Technologies, Incorporated, (Moyco), Mont-

gomeryville, PA, and Jerome Lipkin, its executive vice president, charging them with one count each of mail fraud and distributing an adulterated drug. Moyco and Lipkin allegedly supplied anti-fungus foot powder to the DoD that did not meet the required Government specifications. Special Agent Joseph Costello, Northeast Field Office (FO), is conducting the investigation with the Food and Drug Administration.

Product Substitution

Lacey Patrick Wallace, president and owner of Gil, Incorporated (Gil), Cookeville, TN, was placed in the pretrial diversion program in lieu of prosecution for violating Federal law. Wallace submitted false documents to the DoD representing that Gil had manufactured gaskets sold to the DoD when, in fact, Gil was not the manufacturer. Wallace also provided false cost data to make it appear he had manufactured the product when he had actually purchased the product from another company. Special Agent Jeffrey Knutson, Nashville Post of Duty (POD), conducted the investigation with the Naval Criminal Investigative Service.

Bribery

An information was filed against Ronald E. Howard, former senior produce buyer, Defense Subsistence Office,

Chicago, IL, charging him with one count of bribery. In a subsequent court action, he pled guilty to the charge. From about January 1993 through August 1993, Howard, while performing his official duties as a buyer of produce for the Military Services, regularly solicited small personal monetary "loans" from Chicago area produce vendors he dealt with on a regular basis. In return, he provided preferential treatment to those vendors through the guaranteed award of future Government business. Howard initially repaid several of the "loans," but failed to pay loans totaling approximately \$2,850 received from one vendor. That vendor recouped approximately \$2,850 in loans to Howard by adding the loan amounts to DoD contracts Howard awarded the vendor. Special Agent Philip King, Chicago RA, conducted the investigation.

Forged License

Mount Franklin "Frank" Lombardo, Chickasaw, AL, pled guilty to an information filed the same date charging him with mail fraud. Lombardo operated the Bel Air Counseling Center in Mobile, AL. From August 1, 1988 through 1996, Lombardo defrauded CHAMPUS, the Federal Employees Health Benefits Program, private insurers and his patients by representing himself as a licensed professional counselor or a clinical psychologist. An investigation determined Lombardo had never been a clinical psychologist and had not been licensed as a professional

counselor by the State of Alabama since July 31, 1988. In addition, Lombardo forged and falsified the license certificates presented to CHAMPUS and submitted claims with false information as to the identity and qualifications of the "supplier" of counseling treatment. Lombardo received approximately \$330,425 from the scheme. Special Agent Craig Brueckman, Pensacola POD, conducted the investigation with the U.S. Postal Inspection Service, with assistance from the Alabama Board of Examiners in Counseling and the Office of Personnel Management.



False Bomb Threats

Darryl Clifford Soliday pled guilty to one count of unlawful acts. On three occasions from November 1996 to December 1996, Soliday, a police officer at the Defense Supply Center Columbus (DSCC), Columbus, OH, falsely reported bombs or threats of bombs. On two of those occasions the DSCC Fire Department, the Whitehall Fire Department and the Columbus Bomb Squad responded to Soli-

day's false bomb reports. Special Agent Valerie Van Meter, Columbus RA, conducted the investigation.



Ambulance Service

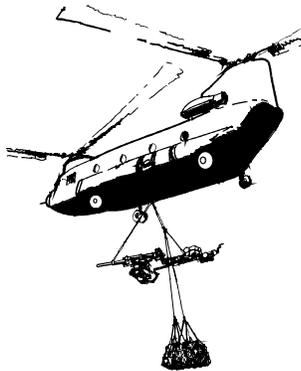
Anthony L. Hester, owner of Doctor's Professional Ambulance Service, pled guilty to four counts of mail fraud. An investigation determined that Hester knowingly caused false claims for ambulance transportation and related medical services to be delivered through the U.S. mail. At the time the claims were submitted, Hester's company was an authorized CHAMPUS provider. Special Agent George Fifer, Houston RA, conducted the investigation jointly with the Department of Veterans Affairs, the U.S. Postal Inspection Service and the Department of Health and Human Services.



Fraudulent Enlistment

Douglas MacArthur Griffin pled guilty to making a false representation to the Government. Griffin misrepresented his true identity, including his name and Social Security number, to enlist in and to enter into the U.S. Army. While in the Army, Grif-

fin established a bank account with the false identity and caused the Defense Finance and Accounting Service (DFAS) to electronically deposit money into the account. Griffin received about \$28,914 in entitlements from the Army. Special Agent Troy Bird, Kansas City RA, conducted the investigation.



Sentences

Product Substitution

The RAF Industries, Incorporated (RAF), Midland Park, NJ, was sentenced to pay \$301,492 in restitution, a \$300 fine and a \$200 special assessment fee for making false statements to the Government. The RAF manufactures gears and other machined parts used in various military programs, to include the 25mm cannon of the Bradley Fighting Vehicle and engine components of the H-2, H-3 and CH-53 helicopters. An investigation determined that RAF had provided nonconforming parts and fraudulent certificates of conformance and test data to the DoD. Some of the parts were critical application items. The RAF is currently suspended from Government contracting and debarment action is pending. Special Agent John Davis, Northeast

FO, conducted the investigation.

Mischarging

Briggs O. Ogamba, president and owner, Applied Remediation Company, San Jose, CA, pled guilty to one count of knowingly and fraudulently demanding a share in the public stocks of the United States. The same date, gamba was sentenced to 5 years supervised probation and to pay \$40,000 in restitution to the Government. An investigation disclosed that Ogamba mischarged labor hours submitted to the DoD under a contract valued at approximately \$300,000. Ogamba inflated invoices submitted to the DoD by increasing the number of hours it took to perform specific remedial maintenance jobs, as well as adding travel time to and from the work site on the invoice amount, after being told not to do so by the contracting officer. Suspension and debarment proceedings against Ogamba have begun. Special Agent Duane Bradley, San Francisco RA, conducted the investigation in conjunction with the Defense Logistics Agency (DLA) Criminal Investigations Activity.

Check Theft

Angela Denise Wright, a former DFAS employee, was sentenced to 4 months home detention, 20 months supervised probation and to pay \$9,783 in restitution and a \$50 special assessment fee for theft of Government property. From August 1994 to March 1995, Wright fraudulently negotiated seven checks and one money order, amounting to at least \$5,069, while working as

an accounting technician in the Travel Office, DFAS, Pentagon. The checks, made payable to the U.S. Government, were submitted by Government employees to reimburse the DoD for unused official travel advances. Wright endorsed the checks using her signature and deposited them into her personal checking account. She admitted to taking and spending approximately \$10,000. Special Agent Helina Wong, Mid-Atlantic FO, conducted the investigation.



Donated Property

Carl Lange, Timothy L. Long and David Anderson were sentenced as follows: Lange to 140 hours community service (in lieu of 30 days county incarceration), 3 years probation and \$8,000 restitution for petit larceny; Long to 140 hours community service (in lieu of 30 days county incarceration), 5 years probation, \$3,000 restitution and a \$155 special assessment fee for possession of stolen property; Anderson to 1 to 3 years incarceration and \$20,000 in restitution for five counts of grand larceny. Lange, owner and president of J & C Auto Collision, Lake

onkonkoma, NY, and Long conspired with Anderson, principal of the Board of Cooperative Educational Services (BOCES), Dix Hills, NY, to purchase items such as automobiles, automotive parts, tools and outboard motors. The items were stolen from BOCES, a vocational school that received Federal, state and privately donated property. The federally donated property was acquired through the New York State Office of General Services, Federal Property Assistance Program, and some items had previously belonged to the DoD. Special Agent Stephanie Jimroglou, New York RA, conducted the investigation jointly with the Internal Revenue Service (IRS), the General Services Administration (GSA) and the Suffolk County District Attorney's Office.

Health Care Fraud

Gail Powers, a mental health counselor, was sentenced to 2 years supervised probation, 200 hours community service and to pay \$20,000 in restitution for filing false claims. From January 1992 through May 1996, Powers filed false claims with CHAMPUS for mental health counseling. The claims, amounting to approximately \$20,000, were inflated or misstated the actual care provided by Powers. Special Agent Robert Hendricks, Tucson POD, conducted the investigation with the FBI.

Financial Disclosure

Richard B. Gomez was sentenced to 1 year probation for

each of two counts, to run concurrently, and a \$50 special assessment for making false official certificates or writings in conjunction with his financial disclosure forms. Over a period of years, Gomez, former associate director of technology for the Army Corps of Engineers Topographic Engineering Center, influenced the awarding of contracts to the Science and Technology Corporation (STC), a DoD contractor. At the same time, Gomez maintained a social relationship with Adarsh Deepak, president of STC, and accepted gifts of meals, lodging, artwork, a photo-copier, use of an STC calling card, flowers, cash for a girl-friend and employment for his son on an STC contract with the Naval Research Laboratory. Gomez failed to disclose this to his commander or to record it on his Executive Branch Public Financial Disclosure Report. Gomez also networked to help STC secure contracts with other DoD commands. Special Agent Patsy Bennett, Mid-Atlantic FO, conducted the investigation with the National Aeronautics and Space Administration.



Arms Export

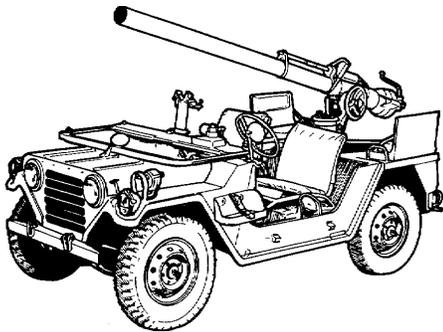
Robert Clyde Ivy, president of International Signal and Central Company (ISC), Lancaster PA, pled guilty to one count of conspiracy to violate the Arms Export Control Act, the Export Administration Act and the Com-

prehensive Anti-Apartheid Act of 1986. Ivy was immediately sentenced to 12 months incarceration, consisting of 6 months imprisonment and 6 months home detention, and a \$50 special assessment. From 1979 to 1989, Ivy conspired with James Guerin, former chairman of ISC, and others to aid co-defendant Armaments Corporation of South Africa (Armcor) in evading the United Nations arms embargo. The scheme included selling and smuggling U.S. made arms, munitions and weapons technology as well as other restricted commodities to Armcor. This enabled Armcor to market weapon systems to third world countries and the Republic of South Africa to build its arms and weapons industry. As part of the operation, ISC sold U.S. made power supplies to Armcor, which in turn sold them to Iraq. Iraq used the power supplies in proximity fuzes against U.S. troops during the Persian Gulf War. On February 27, 1997, Armcor pled guilty and two other Republic of South Africa companies pled nolo contendere to similar charges relating to the same conspiracy. Special Agent Susan Clowry, Northeast FO, conducted the investigation with the FBI, the IRS and the U.S. Customs Service.

M151 Jeeps

Russell E. Lane III, also known as William Johnson, Passaic, MO, was sentenced to 12 months and 1 day incarceration, 3 years supervised release, \$19,250 restitution and a \$100 special assessment fee for conspiracy and

misapplication of a Social Security Number. Lane conspired with Ellen L. Blanco to defraud the Government regarding several hundred M151 jeeps purchased as surplus from the DLA. The jeeps are required to be mutilated and sold for scrap. Lane, however, concealed from DoD officials that the vehicles had not been mutilated. He also used a false identity and Social Security Number in furtherance of the scheme. Special Agent Richard Baylog, Kansas City RA, conducted the investigation with the Social Security Administration.



False Test Results

Ronald Wade Lawrence, Sr., a former employee of Tank Systems, Incorporated (TSI), Austin, TX, was sentenced to 3 years probation, to pay \$55,517 in restitution and a \$50 special assessment on acceptance of his guilty plea to one count of falsifying documents. The TSI was under contract with the National Guard to perform certain tests and evaluations of underground storage tanks in Texas. A Texas National Guard employee conspired with the owner and employees of TSI to falsify the test results conducted on the underground

storage tanks. Lawrence falsified documents to show that soil samples were obtained at the National Guard sites when, in fact, the samples were never taken. The soil samples were to determine if the soil surrounding the underground storage tanks had been contaminated and required cleanup of spilled hazardous materials. Special Agent Crystal Davenport, San Antonio POD, conducted the investigation with the FBI, the U.S. Army Criminal Investigation Command (USACIDC), the Air Force Office of Special Investigations (AFOSI) and the Texas Natural Resource Conservation Commission.

Performance Bonds

Don DeSanti, president of Imperial Surety Services, Incorporated (Imperial), Phoenix, AZ, and Imperial were sentenced for submitting false statements in support of bid, payment and performance bonds for DoD construction contracts. DeSanti was sentenced to 12 months and 1 day confinement, 3 years supervised release, \$21,000 in restitution and a \$50 special assessment fee. Imperial was sentenced to 36 months probation, a \$356,740 fine, \$21,000 in restitution and a \$200 special assessment fee. DeSanti was additionally sentenced to 12 months and 1 day confinement (to run concurrently with his first sentence), 3 years supervised release, a \$1,000 fine, \$227,413 in restitution and a \$100 special assessment fee for bank fraud and money laundering. DeSanti's business, Imperial, was de-

stroyed by fire. An insurance check for the loss was made payable to DeSanti and the financial institution that held a lien on Imperial. DeSanti subsequently forged the endorsement of the financial institution and deposited the funds into his bank account. At the time, the financial institution was controlled by the Resolution Trust Corporation. DeSanti and Imperial have been debarred from Government contracting. Special Agent Jeffery Arsenault, Phoenix RA, conducted the investigation with the FBI, the USACIDC and the AFOSI.





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.

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1222 Spruce Street
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CHICAGO Resident Agency
2350 E. Devon Ave., Suite 150
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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
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Telefax: (216) 522-7196
FTS: 942-2296/7

COLUMBUS Resident Agency
P.O. Box 13163
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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
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Telefax: (414) 297-1817

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St. Paul, MN 55101-2901
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P.O. Box 5073
Sioux Falls, SD 57102
Physical Location:
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230 S. Phillips Avenue
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McConnell AFB, KS 67221
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