

Fraud Awareness Newsletter

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Courtesy of the

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Office of the Inspector General
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Central Field Office**



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Prosecutions Handicap

An indictment was returned against Freedom Medical, Incorporated (Freedom), Brian A. Patten, former president of Freedom, and Robert L. Grden, former vice president of Freedom, charging all with 26 various counts of conspiracy, mail fraud, false claims, money laundering, telemarketing fraud and forfeiture. Freedom was a durable medical equipment company that operated from two locations in the Columbus, OH, metropolitan area. Under the direction of Patten and Grden, alleged fraudulent schemes were used to submit false billings to the Civilian Health and Medical Program of the Uniformed Services

(CHAMPUS), the Federal Employees Health Benefits Program (FEHBP), the State of Ohio Workers Compensation Program and over 15 private health insurers. The principal scheme involved the use of telemarketing to sell three-wheeled scooters and adjustable beds to physically handicapped individuals. The insurance companies were then billed for more costly equipment such as motorized wheelchairs and hospital beds. In many instances, Freedom failed to deliver any equipment to beneficiaries despite receiving payment for the equipment from the insurance programs. Special Agent Jay Strauch, Columbus Resident Agency (RA), is conducting the investigation jointly with other task force members from the Federal Bureau of Investigation (FBI), the Internal Revenue Service (IRS), the U.S. Postal Inspection Service (USPIS) and the Ohio Bureau of Worker's Compensation Special Investigations Unit.



Psychology

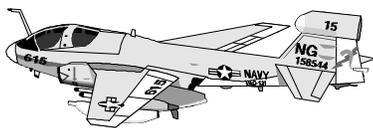
An amended information was filed against Charles T. Rubio, Opelika, AL, charging him with filing false claims with CHAMPUS and Medicare. From about January 1993 to July 1995, Rubio allegedly made and caused to be made approximately \$65,000 in claims for psychological services he purportedly provided to CHAMPUS and Medicare patients. Rubio had not provided the services. Special Agent Charles Suttles, Southeast Field Office (FO), is conducting the investigation with the FBI.



Theft of Surplus

A two-count information was filed against David Anderson, Babylon, NY, charging him with theft of Government property and income tax evasion. Anderson allegedly stole Federal, state and privately-donated property from the Board of Cooperative Educational Services (BOCES), Dix Hills, NY. Anderson, as the principal of BOCES, used his position to procure items such as aircraft engines, automobiles, automotive parts, tools and outboard motors. The property was

acquired through the General Services Administration (GSA) and was donated to the school through the New York State Office of General Services, Federal Property Assistance Program. He then allegedly removed the items from the school and sold them to various individuals, but failed to claim the additional income on his tax return. The federally donated property included a TF-41 jet engine originally procured by the DoD at a cost of \$1 million. Anderson previously pled guilty in state court to larceny and is now serving a 1 to 3 year indeterminate term in state prison. Special Agent Stephanie Jimroglou, New York RA, is conducting the investigation jointly with the IRS and the GSA.



Environmental Crime

A one-count information was filed against Cincinnati Steel Treating, Cincinnati, OH, a DoD subcontractor, charging the company with violating the Clean Water Act. On the same date, the company pled guilty to the charge. Cincinnati Steel Treating is a subcontractor to Cincinnati Gear, Cincinnati, OH, a DoD contractor that produces ship propulsion components for the Defense Logistics Agency. A by-product of the manufacturing process is hazardous waste and used oils, which require proper disposal, the cost of which is passed on to the DoD in the con-

tract. It was determined that Cincinnati Steel Treating disposed of the oil by discharging it into a navigable waterway of the United States. Special Agent Theresa Quellhorst, Dayton RA, conducted the investigation jointly with the FBI.



Kickbacks

The following pled guilty in U.S. District Court, Wichita, KS, to various charges in a kickback scheme involving a DoD contractor: Fieldtech Avionics and Instruments (Fieldtech), Fort Worth, TX; Kevin Nelms, Denton, TX, president of Fieldtech; David Mills, Fort Worth, TX, vice president of Fieldtech; T. K. Sinha, Fort Worth, TX, Fieldtech employee; Stewart Motors, Edmond, OK; Tom Stewart, Edmond, OK, president of Stewart Motors; Aviation Supply Corporation, Chicago, IL; Raymond Greshammer, president of Aviation Supply Corporation. The defendants were involved in a scheme to obtain purchase orders from Boeing Airplane Company, Wichita, KS, by paying kickbacks to a buyer at Boeing. Charges against the various entities included mail fraud, wire fraud, and the willful commission of depreddation against property being constructed for the United States. Additionally, Charles Moore, a supervisor for Aero

Electric, Wichita, KS, also pled guilty to willful commission of depreddation against property being constructed for the United States. Moore was involved in stealing property from Aero Electric and eventually reselling the property to the company through an accomplice. Special Agent Ronald Barker, Wichita Post of Duty (POD), conducted the investigation with the USPIS.



Bribery

Chaim Oren, former buyer for the Government of Israel, Ministry of Defense (GOI-MOD), Defense Mission to the United States of America, was convicted on two counts of breach of public trust and bribery by the Israeli National Court, District of Tel Aviv. While serving as a buyer for the GOI-MOD in New York City, Oren improperly awarded purchase orders with inflated prices to three companies--Uni Supply, Incorporated; Ninetech International, Incorporated, and Interspec Sales, Incorporated. The companies were owned and operated by Avraham Greenberg and Hardy Blasberg, also former buyers for the GOI-MOD. The purchases by the GOI-MOD were made through funds provided by the DoD, Defense Security Assistance Agency. Special Agent Steven Swidler, New York RA, conducted the investigation in coordination with the Israeli National Police.

Health Care

Serge R. Doucette, Jr., Ph.D., owner and operator, Current Treatment Center of Fredericksburg, Fredericksburg, VA, and Current Treatment Center of Stafford, Stafford, VA, pled guilty to submitting a false claim to the Government. Doucette, a licensed psychologist in the Commonwealth of Virginia, hired unlicensed mental health counselors or resident psychologists in training to perform psychotherapy on CHAMPUS beneficiaries. Since CHAMPUS requires the rendering provider of the psycho-therapy to be a licensed provider, Doucette directed the claims to be sent to CHAMPUS under his provider number and signature stamp to secure CHAMPUS reimbursement. Doucette received approximately \$104,995 from CHAMPUS. Special Agent Ed Bosak, Mid-Atlantic FO, conducted the investigation with the USPIS.



Kickbacks

Robert Olson pled guilty in U.S. District Court, Tampa, FL, to one count of violating the Anti-Kickback statute. In a related case, Thelma Johnson also pled guilty to violating the Anti-Kickback statute. Olson owned and operated the Florida Impotence Clinic, Jacksonville, FL. Johnson owned and operated the

Florida Impotence Clinic in Tampa, FL. An investigation determined that Olson either made or received payments for referring patients to a diagnostic services company; Johnson received payments for referring patients. Some of the patients referred were covered by CHAMPUS. Special Agent Robert Calvert, Southeast FO, conducted the investigations with the IRS, the Department of Health and Human Services (HHS) and the USPIS.



Sentences Fuel Overcharges

John Santana, president, International Marine Fuels (IMF), was sentenced in U.S. District Court, District of New Jersey, to 12 months and 1 day in prison, 3 years probation and a \$150 special assessment fee. In addition, Santana will be personally liable for \$1 million in restitution if IMF fails to pay the restitution of \$2.1 million as a result of the company's sentencing. From 1990 to 1993, Santana and IMF overcharged the DoD in excess of \$1 million by misstating and inflating prices for bunker fuel as charges permitted under applicable contracts. Santana also conspired with Keith Rasquinha, a broker for LQM Petroleum Services, Incorporated, to legitimize

the overcharges by paying consulting fees for nonexistent services to accounts Rasquinha established. Rasquinha previously pled guilty and has been sentenced; IMF has been suspended from Government contracting and debarment proceedings are pending. Special Agent Kenneth Siegler, New York RA, conducted the investigation with the IRS and the Naval Criminal Investigative Service.



Diverted Funds

Doyle Luneau was sentenced to 42 months in prison, 3 years probation, ordered to forfeit all current assets, to pay a \$2,500 fine, \$1,617,654 in restitution and a \$50 special assessment. In a related case, William H. Edmonds was sentenced to 30 months in prison, 3 years probation, 350 hours of community service, ordered to forfeit all personal property, to pay \$1,617,654 in restitution and a \$50 special assessment. Luneau and Edmonds previously pled guilty to conspiracy, making false statements and money laundering. Luneau and Edmonds, both of Alexandria, LA, conspired to divert approximately \$785,999 of Government funds for their private gain. The charges stem from fraudulent conduct relating to a Government contract to construct emergency mobile

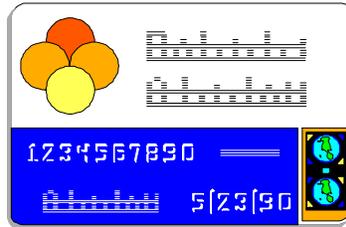
home sites. The home sites were to provide housing for displaced families as a result of the 1994 Flint River flood in Albany, GA. Luneau has been suspended from Government contracting and debarment proceedings are pending. Special Agent Ricky Burrell, Southeast FO, conducted the investigations with the U.S. Army Criminal Investigation Command and the Georgia Bureau of Investigation, Governor's Flood Fraud Task Force.



Country of Origin

Williams Brothers Corporation of America (Williams America), Front Royal, VA, was sentenced to pay a \$24,000 fine and a \$400 special assessment fee for introducing imported merchandise into the commerce of the United States by means of a fraudulent practice. Williams America sells Canadian-made metal access doors. Williams America and its president, George K.E. Williams, removed the Canadian markings from doors sold to Government contractors to conceal the point of origin. The National Aeronautics and Space Administration (NASA) purchased doors from Williams America for use in a facility at the Kennedy Space Center; the DoD purchased the doors for use on various contracts. With the exception of not being manufactured within the United States, the doors met the con-

tract requirements. Suspension and debarment actions against Williams America and Williams are pending. Special Agent Wayne Cooper, Richmond RA, conducted the investigation with NASA and the U.S. Customs Service.



Credit Fraud

Vernon Corey was sentenced to 21 months incarceration, 3 years supervised probation, ordered to pay \$5,838 in restitution and a \$200 special assessment. Corey previously pled guilty to two counts each of possession and use of a fraudulent military identification card, and use of an unauthorized access device. Corey was involved with a ring of individuals that have defrauded several financial institutions throughout Pennsylvania, New Jersey and Delaware. The ring was able to obtain instant credit by using counterfeit U.S. Military identification cards and state driver's licenses. The estimated fraud exceeds \$20,000. Special Agent Kathy McHale, Northeast FO, conducted the investigation jointly with the U.S. Secret Service.

Bankruptcy Fraud

Robert Berger, former owner and sole shareholder of Royce Aerospace Materials Corporation (Royce), Farmingdale, NY, was sentenced to 38 months in jail, 36 months supervised probation and

to pay a \$200 special assessment. Berger previously pled guilty to bankruptcy fraud, violating the Anti-Kickback Act and a tri-object conspiracy to defraud the IRS. In a related case, an information was filed against Alan Dunkirk, Stamford, CT, charging him with income tax evasion. As a subcontractor to prime DoD contractors, Royce provided raw materials such as aluminum and titanium. In September 1993, Royce filed for bankruptcy protection. Between 1990 and 1996, Berger conspired to devise a scheme to divert cash out of Royce. The scheme involved checks being written and issued from Royce to fictitious companies, checks being cashed by various individuals and the cash being returned to Berger. The checks, which totaled about \$1.2 million, were claimed as business expenses and were taken as false deductions on the Royce corporate tax returns. The cash was used to pay kickbacks to prime DoD contractors in return for bid information and securing DoD subcontracts for Royce. Dunkirk, a purchasing manager for Beta Shim, Incorporated, Shelton, CT, allegedly received kickbacks from Royce in return for bid information on subcontracts awarded by Beta. During the bankruptcy period, Berger directed a customer of Royce to issue checks for monies owed to Royce to a fictitious company wholly owned and controlled by Berger. Special Agent Stephanie Jimroglou, New York RA, conducted the investigations jointly with the IRS.



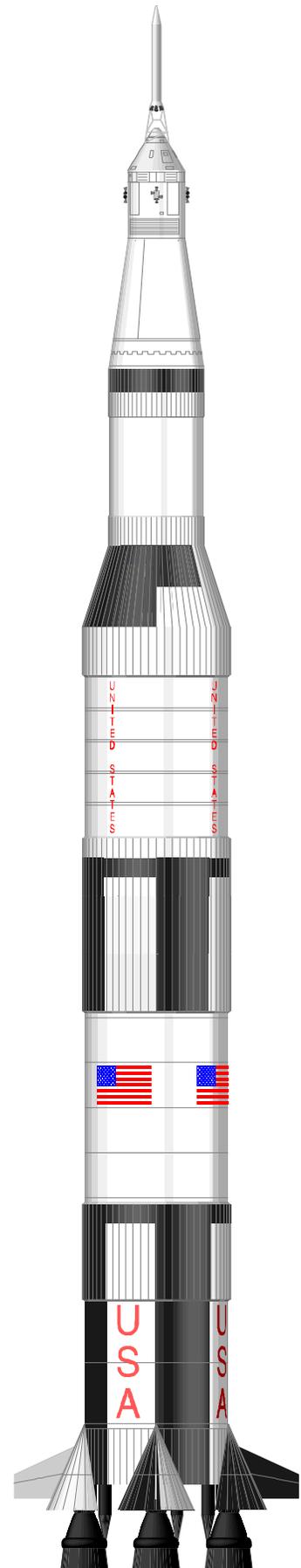
Civil Settlements Health Care

A civil settlement was reached with Vendell Healthcare, Incorporated (Vendell), and its wholly-owned subsidiaries (Vendell of Florida, Incorporated; Rivendell of Florida, Incorporated; Rivendell of Bay County, Incorporated, and Altacare of Florida, Incorporated) and the following Government agencies: the Civil Division, Department of Justice, CHAMPUS, HHS and the Office of Personnel Management (OPM). The settlement requires Vendell to pay the Government \$4,216,701. Vendell and its Florida subsidiaries submitted approximately \$15.5 million in fraudulent claims to CHAMPUS, Medicare and the FEHBP by billing for services not rendered, misrepresenting the level of services (upcoding), billing for medically unnecessary admissions, extending patients' lengths of stay when not medically necessary and submitting claims for charges previously paid. In March 1997, Vendell filed for bankruptcy and the negotiated settlement amount was reduced. Vendell and its Florida subsidiaries also face possible ad-

ministrative sanctions from CHAMPUS, Medicare and the FEHBP. Special Agents Craig Brueckman, Pensacola POD, and Wendy Hinton, New Orleans RA, conducted the investigation with the FBI, the HHS and the OPM, with audit assistance from the Defense Contract Audit Agency.

Health Care

Physicians Clinical Laboratory, Incorporated (PCL), Sacramento, CA, entered into a civil settlement with the Government. Under the settlement, PCL will pay the United States \$2 million to settle allegations that PCL overbilled CHAMPUS and Medicare for blood and urine testing. The settlement also provides that PCL will pay interest on the unpaid balance after an initial payment of \$200,000. PCL did not admit it engaged in any illegal or improper conduct and will cooperate in further investigation. PCL will also enter into a corporate integrity agreement with the OIG, HHS, for a period of 5 years. PCL allegedly charged for urinalysis tests conducted at a particular location and using a particular technology. In fact, PCL performed the tests at a different location and used a procedure that called for a lower amount of reimbursement under the CHAMPUS and Medicare programs. PCL is also alleged to have improperly billed the Government programs for blood analyses that were not performed. Special Agent Duane Bradley, Sacramento POD, conducted the investigation with the HHS.





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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