

# Fraud Awareness Newsletter

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**Courtesy of the  
Department of Defense  
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Central Field Office**



with others to fraudulently obtain money through the U.S. mail by selling nonconforming component electrical parts to the DoD for use on various DoD weapon systems. The conspiracy included purchasing surplus component electrical parts that did not meet specification, obliterating manufacturer markings, and falsely labeling and packaging the surplus parts to make them appear to meet required specifications. Special Agent Bret Flinn, Dayton RA, is conducting the investigation with the FBI.



## Witness Tampering

Frances G. Sternberg, Kansas City, MO, pled guilty to a one-count superseding information charging her with harassment of a witness in an official proceeding. Frances Sternberg was originally charged on one count of witness tampering in relation to a case pending against her husband, Dr. David E. Sternberg. An investigation revealed that on or about July 14, 1997, Frances Sternberg contacted the rabbi of a witness scheduled to testify against her husband and knowingly used intimidation, corrupt persuasion and misleading conduct toward the rabbi with the intent to influence or prevent the testimony of the witness. David Sternberg was convicted on November 26, 1997, on 13 counts of mail fraud, 21 counts of money laundering and 1 count of interstate transportation in the aid of racketeering for fraudulent practices against CHAMPUS and other insurance providers. Special Agent Troy Bird, Kansas City RA, conducted the investigation jointly with the FBI.

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An information was filed against Plasmaterials, Incorporated, San Ramon, CA, and Donald Sarrach, its president, charging them with one count of mail fraud. Plasmaterials purchased sputtering targets with a low purity level, then allegedly repackaged them and provided a certificate of analysis to customers that the targets were of a higher purity level. The nonconforming targets were shipped to prime Department of Defense (DoD) contractors, suppliers and vendors, as well as the Department of Energy and the National Aeronautics and Space Administration. The targets are used to create thin film coatings on various metallic or non-metallic surfaces such as aircraft canopies and microprocessor assemblies to strengthen or illuminate that surface. Special Agents Davidson Martin and Byron McGinley, San Francisco RA, are conducting the investigation with the Federal Bureau of Investigation (FBI).



## Nonconforming Parts

An information was filed in U.S. District Court, Columbus, OH, against Larry Liberti, sales manager for Nidisco, Incorporated (Nidisco), charging him with conspiracy to commit mail fraud. From 1986 through 1993, Nidisco and Liberti allegedly conspired

Article below withdrawn  
by CFO DCIS



## Health Care Fraud

Brian A. Patten, former president, Freedom Medical, Incorporated (Freedom), pled guilty to one count of conspiracy. Patten was indicted along with Freedom and Robert L. Grden, former vice president of Freedom. Freedom, a durable medical equipment company, operated out of two locations in the Columbus metropolitan area. An investigation determined that Freedom, under the direction of Patten and Grden, engaged in a number of fraudulent schemes to submit false billings to Government health benefits plans that included CHAMPUS, the Federal Employees Health Benefits Program, the State of Ohio Workers' Compensation Program and over 15 private health insurance programs. The principal scheme involved Freedom's use of telemarketing techniques to sell three-wheeled scooters and adjustable beds to people with physical handicaps and then submit claims for more sophisticated and expensive equipment, such as motorized wheelchairs and hospital beds. In many instances, Freedom failed to deliver equipment paid for by the insurance programs. The criminal prosecution follows successful civil prosecutions by both the Federal Trade Commission and the Civil Division of the U.S. Attorney's Office. Special Agent Jay Strauch, Columbus RA, conducted the investigation jointly with other task force members from the U.S. Attorney's Health Care Task Force.



## Harassment

Thomas O'Malley, military pay technician, Defense Finance and Accounting Service (DFAS)-Cleveland, Cleveland, OH, pled guilty to one count each of ethnic intimidation and possession of criminal tools, and one count of menac-

ing by stalking, in violation of the Ohio Revised Criminal Code. An investigation disclosed that O'Malley made numerous obscene and harassing telephone calls to Government employees, as well as private citizens located in the Cleveland metropolitan area. The telephone calls were sexually and ethnically degrading. Special Agent Wayne Dorschu, Cleveland RA, conducted the investigation with the Cleveland Police Department and the Cuyahoga County Prosecutor's Criminal Investigation Division.



## Gratuity

Jack Mattachione, a former U.S. Air Force civilian employee, pled guilty to one count of accepting a gratuity. From 1993 to 1995, Mattachione was employed as a logistics management specialist at the Air Force Security Assistance Command, Wright-Patterson Air Force Base, OH, where he managed the acquisition of aircraft supplies for the Government of Brazil. Mattachione improperly used his official position to assist local companies in acquiring U.S. Government surplus property and improperly accepted gratuities from those companies. Special Agent John Carper, Dayton RA, conducted the investigation.



## Dangerous Weapons

Thao Dinh Le pled guilty to unlawfully possessing destructive devices, unlawfully possessing a U.S. M240 machine gun and possessing a weapon while drug trafficking. Le is an international firearms dealer located in Tulsa, OK. In July 1997, Federal agents seized a large cache of military munitions from Le's home and gun shop that included an M240, a 7.62mm machine

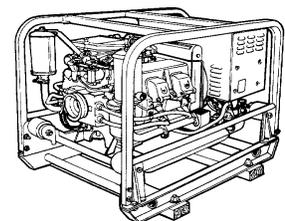
gun, an M203, 40mm grenade launchers with over 100 rounds of 40mm high explosive rounds, claymore land mines, military C-4 explosive, military TNT, hand grenades, detonator cords and primers. These types of munitions are not demilitarized or excessed by the DoD. Special Agent Charles Case, Tulsa Post of Duty (POD), conducted the investigation jointly with the Bureau of Alcohol, Tobacco and Firearms.

## Product Substitution

Thomas John Dennis, vice president of operations and production manager, Atlantic Industries, Limited, pled guilty to major fraud against the United States. An investigation determined that Dennis, in his position, caused the substitution of nonconforming materials in the manufacture of field kitchens under two contracts awarded by the U.S. Army Aviation and Troop Command. The contracts, valued at \$9,965,643 and \$11,855,756, called for the manufacture of trailer mounted field kitchens to provide food services to Army combat troops in the field. Special Agent Ricky Burrell, Southeast Field Office (FO), conducted the investigation with the U.S. Army Criminal Investigation Command (USACIDC).

## Theft of Surplus

Frank L. Dorman, pled guilty in U.S. District Court, District of Utah, to theft of Government property. Dorman was authorized to screen property through the Defense Reutilization and Marketing Service (DRMS) on behalf of the Halchita Community Council, Mexican Hat, UT. Dorman obtained property such as generators, communication trailers and air compressors from the DRMS for the Council and converted the property for his own use. Special Agent Lance Stamper, Salt Lake City RA, conducted the investigation jointly with the General Services Administration and the FBI.



## Pricing Data

Stewart and Stevenson Services, Incorporated (Stewart and Stevenson), Houston, TX, pled guilty to making a false statement to the Government. In a contract awarded to Stewart and Stevenson in 1987, the company falsely certified to the DoD that it had provided all cost and pricing data to the Government when it had concealed some of the relevant pricing data from the Air Force. The contract was for participation in the installation of long-range radar sites in Saudi Arabia during the Peace Shield Program. Stewart and Stevenson's participation in the construction of the sites included installation of generators and air handling systems. Special Agent Ray Peregoy, Houston RA, conducted the investigation jointly with the Air Force Office of Special Investigations (AFOSI).



## Progress Payments

Brian Sturdy, former owner/president, S-Systems, Incorporated, Military Electronics Division (S-Systems), Buford, GA, pled guilty to submitting false claims to the United States. Based on information from the Defense Contract Management District-East, Marietta, GA, an investigation determined that Sturdy submitted false claims totaling \$106,832 to the DoD. Sturdy filed 58 separate claims for progress payments on 12 U.S. Army contracts, 1 U.S. Air Force contract and 1 U.S. Navy contract administered by the Defense Logistics Agency. The claims were paid based on false documents presented to certify that S-Systems had incurred reimbursable expenses pertaining to material costs. The affected contracts were for the manufacture of various

electronic components used on larger end items found on the M-1 Abrams battle tank and radar equipment. Special Agent Michael Northrup, Southeast FO, conducted the investigation with the USACIDC and the AFOSI, with audit assistance from the Defense Contract Audit Agency (DCAA).



## Sentences

### Product Substitution

Ohio Hoist and Puller, Dayton, OH, was sentenced to a \$6,000 fine, \$4,719.75 in restitution and a period of probation to be served until payment of the fine. The company was previously convicted of submitting a false statement to the DoD. On January 5, 1995, Ohio Hoist and Puller knowingly submitted a false certificate of conformance indicating that a wire rope assembly it provided under a Defense General Supply Center contract was of a particular specification when, in fact, it was not. Special Agent Brett Flinn, Dayton RA, conducted the investigation.

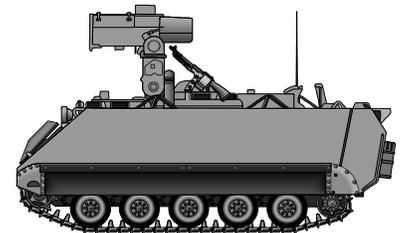
### Kickbacks

James L. Conner, a former planner and estimator with QED Systems, Incorporated (QED), Chesapeake, VA, was sentenced to 5 years supervised probation, a \$1,800 fine and a \$50 special assessment for receiving kickbacks. An investigation disclosed that Conner accepted \$1,800 in kickback payments from Clarence G. Hoffman, a former manager at Craft Repair, Incorporated (Craft), Hampton, VA. At the time, Craft was performing ship repair subcontracts for QED, the prime DoD contractor. Hoffman previously pled guilty and was sentenced. Special Agent Steven Simpson, Norfolk RA, conducted the investigation with the Naval Criminal Investigative Service.



## Ambulance Service

Wesley Miller, Jr., former chairman of the board, Big Creek Volunteer Rescue Squad, Incorporated (Big Creek), and mayor and chief of police for War, WV, was sentenced to 33 months imprisonment, 36 months probation and ordered to pay a \$10,000 fine, restitution of \$12,100 and a special assessment fee of \$50 for conspiring to commit mail fraud. Miller conspired with others to defraud health insurers by having employees of Big Creek make unnecessary ambulance runs, make ambulance runs without emergency medical technicians and having them sign forms for bogus ambulance runs. The Big Creek ambulance service operated under Quality Ambulance Services, Incorporated (Quality) War, WV. Big Creek, through Quality, submitted fraudulent health care claims to CHAMPUS and to Medicaid using Quality's provider number for payment. Special Agents Randy Grover, Columbus RA, and James Walker, Pittsburgh POD, conducted the investigations with the West Virginia Office of Inspector General (OIG) Medicaid Fraud Control Unit and the West Virginia State Police Bureau of Criminal Investigations.



## Armored Vehicles

Grant D. Kruger was sentenced in U.S. District Court, Madison, WI, to 33 months imprisonment and ordered to pay \$687,085 in restitution for one count each of conspiracy and conversion/theft of Government property.

Dennis Lambert, Lloyd Pilgrim and Kruger were involved in a conspiracy with Leo Piatz. Piatz gave money and other items of value to Lambert and other civilian Army employees at Fort McCoy, WI, in exchange for allowing Piatz to remove military vehicles and heavy equipment from Fort McCoy. Those items included TOW missile launchers, track cargo carriers, snow blowers, a Sheridan tank, a bulldozer, a 20-ton crane and forklifts. Piatz, along with Kruger and Pilgrim, sold, traded or provided as gifts the property taken from Fort McCoy. Piatz has been convicted on similar charges. Special Agent Harold Strickland, Denver RA, conducted the investigation jointly with the FBI.



### Embezzlement

Nancy Thetford, also known as Nancy Cooper, was sentenced in U.S. District Court, Beaumont, TX, to 6 months home confinement (with electronic monitoring), 5 years probation, 300 hours community service and ordered to pay \$1,146,087.72 in restitution to the Government, a \$100 special assessment and to bear the costs of the electronic monitoring and home confinement. In addition, Thetford was also ordered to cease all activity related to the billing and/or submission of claims to the Government. Thetford was previously found guilty of theft of Government funds and making false statements. An investigation determined that Thetford and her codefendant, Tracy Michelle Huff, embezzled funds from Medicare by submitting false claims. Thetford and Huff operated a medical billing service in Denton, TX, and submitted claims for health care providers to insurance carriers,

including Medicare and CHAMPUS. Special Agent Karen Shifflett, Southwest FO, conducted the investigation with the Department of Health and Human Services and the Internal Revenue Service.

### Civil Settlements Health Care Fraud

Frank Ferrin, M.D., operator of Babies by the Sea, an obstetrics/gynecology clinic in Key West, FL, entered into a civil agreement with the Government and agreed to pay \$325,869.74 in restitution. An investigation found that Ferrin submitted false claims to CHAMPUS for services Ferrin knew were not documented, were not provided and/or were billed improperly. Special Agent Geoffrey Cherrington, Fort Lauderdale POD, conducted the investigation



### Environmental Contract

IT-Davy-McKee Corporation (IT-Davy) entered into a \$4.3 million civil settlement with the Government. The settlement resolves fraud allegations against IT-Davy related to IT-Davy's performance of an environmental clean-up contract administered by the U.S. Army Corps of Engineers (COE). IT-Davy was a joint venture between the International Technology Corporation and the Davy-McKee Corporation. On behalf of the Environmental Protection Agency (EPA), the COE contracted with IT-Davy to perform an environmental clean-up at the Helen Kramer Landfill, Mantua, NJ, under the Federal Superfund Law. An investigation centered around additional costs claimed by IT-Davy under contract modifica-

tions resulting from project delays. Project specifications were modified as a result of certain differing site conditions. It was determined that IT-Davy used a complex accounting scheme to submit false claims through double billings for labor and equipment costs. This settlement is part of a global resolution of all the claims under the Helen Kramer Landfill COE contract. Special Agent Joseph Klemmer, Northeast FO, conducted the investigation jointly with the EPA and the USACIDC, with audit support from the DCAA.

### Uncertified Tests

Tactair Fluid Controls, Incorporated (Tactair), Liverpool, NY, entered into a settlement agreement and will pay the Government \$49,832.35 to satisfy all claims in the matter. From April 1994 to August 1995, Tactair manufactured parts for the DoD that were required to be subjected to nondestructive testing by a certified Level III inspector. An investigation found that a Tactair employee who was not a certified Level III inspector actually performed the nondestructive tests at the completion of the manufacturing process. However, Robert Boss, a former quality assurance manager at Tactair, certified the parts were manufactured and tested in conformity with military standards and specifications. All parts in question were retested at Tactair's expense and were found to comply with military and contractual specifications. Special Agent Scott Miller, Syracuse RA, conducted the investigation.

### Small Business Fraud

Myers Systems, Incorporated (Myers), Fairfield, OH, entered a civil settlement agreement with the Government and will pay \$965,000 to settle issues that Myers certified itself to be a small business, although it was not, in order to be awarded Government contracts. Myers was awarded 29 different DoD contracts, totaling \$200,000, for the delivery of various products from 1991 through 1993. These contracts were small business set-asides requiring that Myers certify its eligibility as a small business. Special Agent Theresa Quellhorst, Dayton RA, conducted the investigation.



*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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**COLUMBUS Resident Agency**  
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Columbus, OH 43213-5000  
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Telefax: (614) 231-8905  
E-Mail: 40co@dodig.osd.mil

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