

Fraud Awareness Newsletter

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Office of the Inspector General
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Prosecutions Operation Overdraw

The following individuals were arrested and charged as a result of "Operation Overdraw," a 3-year undercover operation in Connecticut, New York and New Jersey that operated as a medical business to uncover health care fraud. These defendant health care providers supplied durable medical equipment or laboratory blood analysis services to the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), Medicare and Medicaid patients in Connecticut:

· Francisco Carbone, M.D., Director of Internal Medicine, Bridgeport Community Health Center, Bridgeport, CT, was

charged with soliciting a bribe in connection with the disbursement of Medicaid funds. Carbone allegedly attempted to orchestrate a kickback of \$200,000 in return for providing a laboratory testing contract involving approximately \$2 million in Medicaid funds. Carbone was also charged with receiving more than \$78,000 from another kickback arrangement with R&R Surgical Supplies (R&R), Bridgeport, CT.

· Raphaela Araboghli, owner, R&R, was charged with conspiracy and health care fraud. Araboghli allegedly paid approximately \$78,000 in kickbacks to Carbone in exchange for his referrals to R&R of hundreds of Medicaid patients from May 1995 through the end of 1996.

· Glen S. Moss, former owner, U.S. Medical Labs, Incorporated, Danbury, CT, and a representative of Analytical Diagnostics, Incorporated, Brooklyn, NY, waived indictment and pled guilty to conspiring to violate the Anti-Kickback statute and income tax evasion. Moss conspired with others to pay kickbacks to the undercover medical

business in order to obtain referrals for laboratory testing. Moss also admitted filing a false income tax return for calendar year 1992.

· Vivekananda Rawana, owner, Clinical Diagnostics, Incorporated, North Haven, CT, was charged with violating the Anti-Kickback Act and filing a false income tax return. Rawana allegedly repeatedly billed for tests that were neither requested nor rendered and also "upcoded" the billing for numerous tests that were requested in order to receive higher reimbursement rates.

· Hezekiah Kamuzora, former owner, Express Laboratories, Hartford, CT, was charged with mail fraud. Kamuzora, who remains at large, allegedly submitted bills to Blue Cross and Blue Shield that were "upcoded" or for services not actually rendered.

· Candido Varas, former owner, One-Stop Surgical, Stratford, CT, was charged with mail fraud. Varas allegedly defrauded Medicaid of approximately \$51,480 by falsely representing that custom-made compression stockings had been provided to Medicaid recipients when, in fact, less costly ready-to-wear stockings had been supplied.

· Reynaldo Diaz, former owner, R&M Surgical, Bridgeport, CT, was charged with mail

fraud. Diaz allegedly defrauded Medicaid of approximately \$85,810 by falsely representing that R&M Surgical supplied custom-made stockings to Medicaid recipients when less costly ready-to-wear stockings were provided.

· Alan Touchstone, former salesman, W.I.S.E., Incorporated (W.I.S.E.), South River, NJ, pled guilty to violating the Anti-Kickback Act and income tax evasion. Touchstone paid kickbacks to the undercover medical business in exchange for every lymphedema pump ordered from W.I.S.E. Touchstone also made illegal payments of \$4,000 to a physician's brother in return for patient referrals and orders of durable medical equipment.

· Ann Pastore, president, Wound Therapies, Incorporated, Commack, NY, entered the Pre-Trial Diversion Program in the Eastern District of New York as the result of her supplying durable medical equipment and submitting false claims to Medicare and CHAMPUS. Special Agents Scott Jackson and Kathy Feeny, Hartford Resident Agency (RA), are conducting the investigation with the Federal Bureau of Investigation (FBI), the Internal Revenue Service (IRS), the Health and Human Services (HHS) and the U.S. Postal Inspection Service in conjunction with the Connecticut Health Care Fraud Task Force.

Health Care

A 36-count indictment returned against Carol D. Friesen was unsealed. Friesen was charged with mail fraud, aiding

and abetting, Medicaid fraud and money laundering. An investigation determined that Friesen, the owner of Cornerstone Counseling of Enid (Cornerstone), Enid, OK, and the Friesen Reading Clinic, allegedly billed Government programs, including CHAMPUS, for reading lessons provided at the reading clinic as individual psychotherapy. Cornerstone submitted over \$150,000 in fraudulent claims to CHAMPUS and Medicaid. Special Agent Charles Case, Post of Duty (POD), is conducting the investigation jointly with the Attorney General's Office, State of Oklahoma.



False Billings

A six-count indictment was returned against Jorge Morales, former program manager, Greenwich Air Services (GAS), Melbourne, FL. He is charged with conspiracy and submitting false statements and false claims on a U.S. Air Force contract for the Joint Surveillance Target and Attack Radar System (JointStars) E8-C aircraft. Grumman Corporation (now Northrop Grumman) was the Air Force prime contractor on the 1990 contract. Morales allegedly conspired with Anderson Jordan, president of Jordan Air Repair Services, Incorporated (JARSI), Miami, FL, to create false JARSI invoices

that were subsequently submitted to GAS head-quarters in Miami, FL, for work that had not been done. The cost of the subcontract Grumman had with GAS was \$24,324. Special Agent Michael Parker, Fort Lauderdale POD, is conducting the investigation jointly with the Air Force Office of Special Investigations (AFOSI).

Kickbacks

A one-count indictment was returned against Anthony Sainato, Vincent Sainato, Kent Vecchio, Charles Cagegia, Nick Coluccio and Mike Farino charging them with conspiracy to defraud the IRS. The indictment was the result of an ongoing investigation into Royce Aerospace Materials Corporation (Royce), Farmingdale, NY, a former Department of Defense (DoD) subcontractor. Between 1990 and 1996, Robert Berger, as president of Royce, allegedly conspired with the above defendants, acting as "check cashiers," to defraud the IRS. Berger devised a fictitious invoicing scheme to generate cash out of Royce that was used to pay kickbacks for bid information that would secure the award of DoD subcontracts for Royce. The moneys from the scheme, totaling approximately \$1 million, were then claimed as business expenses and taken as false deductions on the Royce corporate tax returns. Berger and others who received kickbacks from Royce have previously pled guilty in this investigation. Special Agent Stephanie Jimroglou, New York RA, is conducting the

investigation jointly with the IRS.

Health Care

One-count indictments were returned against Joseph Isola, Beno Kon, William Thurston and Gerald Cullen, former employees of Damon Clinical Laboratories, Incorporated (Damon), Needham Heights, MA. The defendants are charged with conspiracy to defraud the United States. Damon is a former CHAMPUS provider; Isola served as its president, Kon the corporate controller, and Thurston and Cullen were senior vice presidents of operations. Each defendant, together with other conspirators, allegedly "bundled" laboratory tests so that tests were automatically performed regardless of medical necessity. The CHAMPUS and Medicare programs were then billed for the tests as if they had been performed individually, which resulted in higher fees paid to Damon. Approximately 90 percent of the tests were unnecessary and would not have been reimbursed. The defendants also conspired to "unbundle" certain chemistry panels of blood tests provided to dialysis patients into two smaller panels, thereby increasing the restricted billing. Damon, now owned by Corning, Incorporated, Corning, NY, previously pled guilty to conspiracy and subsequently agreed to a global criminal and civil settlement of \$119 million. Special Agent Ann Previtali, Boston RA, is conducting the investigation with the FBI and the HHS.

Product Substitution

Indictments were unsealed against Divided Manufacturing, Incorporated (Divided), Columbus, OH, Edward G. Boso, its president, and Randy B. McNeal, a consultant. Divided and Boso are charged with 10 counts of false statements and false claims, and McNeal with 39 counts of false statements, false claims and mail fraud. Boso subsequently pled guilty to one count of the indictment and was sentenced to 6 months imprisonment, 3 years probation, \$73,655.61 restitution and a \$50 special assessment. From 1993, Boso, through Divided, knowingly supplied nonconforming substituted items to the DoD under purchase orders awarded by the Defense Supply Center Columbus, Columbus, OH. McNeal, a consultant for Divided and four other companies, allegedly devised and operated a scheme from 1991 through 1995 to defraud the DoD. Special Agent Michael Hampp, Columbus RA, is conducting the investigation.



Computer Theft

Dennis F. Shemwell, former police officer in Granite City, IL, pled guilty to one count of interstate transportation of

stolen property. During December 1994, William Smith, Shemwell's friend, worked as an outside contractor for McDonnell Douglas Corporation, now The Boeing Company, St. Louis, MO. Smith worked on computers and computer equipment. On December 21, 1994, Smith stole a Mitsubishi Sublimation full-color printer, valued at \$18,000, from the McDonnell Douglas facility in St. Louis. The printer was then transported to Granite City, IL. Shemwell aided and abetted the interstate transportation by arranging a place to store the stolen printer. Smith previously pled guilty to interstate transportation of stolen property. Special Agent Patrick Reidy, Central Field Office, conducted the investigation with the FBI.

Insurance Fraud

Eddie Brown, a former Defense Finance and Accounting Service (DFAS) employee, pled no contest to one count of unlawful acts related to claims of insurance. An investigation determined that Brown submitted a false injury compensation claim to State Farm insurance for injuries he reportedly received while operating a Government-owned vehicle in performance of his duties. The false claim, totaling \$30,091, included falsified DFAS time and attendance leave requests and altered physician records claiming permanent injuries and loss of physical movement.

The investigation was the result of a referral from State Farm insurance agency, Sunnyvale, CA. Special Agent Andrea McTair, San Francisco RA, conducted the investigation.

Product Substitution

Milton Timothy Garvin, owner, Integrated Manufacturing Solutions, Incorporated (IMS), and Wiltec, Incorporated (Wiltec), both in Cincinnati, OH, pled guilty on behalf of himself and the companies to one count of conspiracy to commit mail fraud. Since 1989, Garvin knowingly supplied nonconforming parts through Wiltec and IMS, to include directing his employees to falsify inspection records to cover up the nonconformances. Special Agent Michael Hampp, Columbus RA, conducted the investigation jointly with the FBI.

Bribery

Drake J. Radford, engineer, The Boeing Company, Seattle, WA, pled guilty to an information filed on the same date that charged him with conspiracy to defraud the United States by impairing and defeating the collection of revenue. Radford received several payments of cash and checks from employees at Avia Marine, Incorporated (Avia). In exchange, Radford provided assistance and influence regarding procurement specifications and promoted the use of Avia parts on Boeing aircraft. Special Agent Gary Pacey, Seattle RA,

conducted the investigation with the FBI and the IRS.

Sentences

Product Substitution

Frank J. Rizzo Jr., president and owner, Keystone Tool and Machine Company, Darby, PA, was sentenced to 5 months work release, 5 months home detention, 3 years supervised release, \$25,000 restitution, 75 hours community service and a \$100 special assessment. Rizzo previously pled guilty to two counts of mail fraud related to the shipment of nonconforming aircraft and machine type parts to the DoD and its contractors. For a

6-year period, Rizzo used the U.S. mail to provide the DoD and its contractors with nonconforming parts and invoices, to include vendor certifications and certificates of conformance falsely representing the parts met military specifications. The loss to the DoD totaled \$115,298.89. Special Agent Leia Burks, now assigned to the Mid-Atlantic Field Office (FO), conducted the investigation with the FBI, the Naval Criminal Investigative Service (NCIS), the AFOSI and the Department of Transportation (DoT).

Health Care

Serge R. Doucette, Ph.D., owner of Current Treatment Center of Fredericksburg (CTCF), Fredericksburg, VA, and Current Treatment Center of Stafford (CTCS), Stafford, VA, was sentenced to 6 months

electronically monitored home detention, 2 years probation, \$104,995 restitution and a \$100 assessment fee. Doucette previously pled guilty to filing a false claim. Doucette, a licensed psychologist in the Commonwealth of Virginia, operated CTCF and CTCS. From 1993 through early 1994, Doucette billed for unlicensed individuals under the auspices of an authorized provider. He hired unlicensed mental health counselors or resident psychologists in training to perform psychotherapy on CHAMPUS beneficiaries, then directed that the claims be sent to CHAMPUS under his provider number and signature stamp to secure CHAMPUS reimbursement. The CHAMPUS/TRICARE requires that psychotherapy be rendered by a licensed provider. On numerous occasions claims were submitted under Doucette's provider number and signature stamp when, in fact, he was on vacation in the Cayman Islands. Special Agent Ed Bosak, Mid-Atlantic FO, conducted the investigation with the U.S. Postal Inspection Service.

Bid Rigging

N.S. Meyer, Incorporated, New York, NY, was sentenced to 3 years probation, a \$100,000 criminal fine and a \$150,000 civil fine for violating the Sherman Anti-Trust Act. An investigation disclosed that N.S. Meyer engaged in a bid rigging conspiracy to fix prices

at which it and others sold military insignia and other accessories to the Army-Air Force Exchange Service from January 1990 through December 1993. Special Agent Stephanie Jimroglou, New York RA, conducted the investigation with the FBI and the AFOSI.

Health Care

Thomas E. Davidson was sentenced in U.S. District Court, Brunswick, GA, to 2 years incarceration, 3 years probation and a \$350 special assessment fee. Davidson pled guilty prior to trial to seven counts of conspiracy, mail fraud, wire fraud and money laundering. An investigation disclosed that Shankman/Davidson Psychiatric Management, Incorporated (Shankman/Davidson), which was owned and operated by Dr. Andrew S. Shankman and Davidson, employed unlicensed therapists to provide mental health services to CHAMPUS, Medicare and Medicaid beneficiaries. Shankman/Davidson then billed the Government programs as if Shankman had provided the services. From 1992 through 1995, Shankman/Davidson received over \$5.2 million from the Government programs. Special Agent Marian Bridgman, Southeast FO, conducted the investigation with the FBI, the IRS, the Georgia Department of Medical Assistance and the Georgia Secretary of State's Office.

Theft

Derek B. Bellinger was sentenced in New York State Court, Suffolk County, NY, to time served, 5 years supervised probation and a \$155 special assessment. Bellinger previously pled guilty to grand larceny. Bellinger, a truck driver for a shipping company, unlawfully took possession of three F-18 Interrogator Transponders (also known as Interrogator, Friend or Foe (IFF)). The IFFs, which had been manufactured under a U.S. Navy contract and delivered to Kuwait under the Foreign Military Sales Program, belonged to the Kuwaiti Air Force. The units were being shipped back to a Greenlawn, NY, defense contractor for repair and refurbishment. Bellinger took the IFFs prior to delivery to the intended destination, then prepared falsified paperwork that indicated delivery was made. Special Agent Mitchell Schlitt, New York RA, conducted the investigation with the Suffolk County Police Department.

Kickbacks

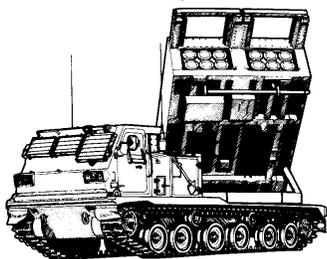
The following companies and individuals were sentenced in U.S. District Court, Wichita, KS, for various counts of mail fraud, wire fraud, and depredation against Government property: Fieldtech Avionics and Instruments (Fieldtech), Fort Worth, TX, 3 years probation,

a \$125,000 fine and an \$800 special assessment; Kevin Nelms, Denton, TX, president, Fieldtech, 3 years probation, a \$40,000 fine, \$2,500 restitution and a \$400 special assessment; David Mills, Fort Worth, TX, vice president, Fieldtech, 3 years probation, a \$30,000 fine, \$2,500 restitution and a \$400 special assessment; T. K. Sinha, Fort Worth, TX, 1 year probation, a \$4,000 fine and a \$2,500 special assessment; Stewart Motors, Edmond, OK, 1 year probation, a \$2,500 fine and a \$400 special assessment; Tom Stewart, president, Stewart Motors, 1 year probation, a \$2,500 fine, \$2,500 restitution and a \$400 special assessment; Aviation Supply Corporation, Chicago, IL, a \$2,500 fine; and Raymond Greshammer, president, Aviation Supply, a \$500 fine. The companies and individuals were involved in a scheme to obtain purchase orders from Boeing Airplane Company, a DoD contractor, by paying kickbacks to a buyer at Boeing. The sentences are part of a continuing investigation that has already resulted in the conviction and sentencing of 20 individuals and companies. Special Agent Ronald Barker, Wichita POD, conducted the investigation with the U.S. Postal Inspection Service.

Product Substitution

Metallurgical, Incorporated, Minneapolis, MN, was ordered to pay a \$40,000 fine and a \$125 special assessment for

submitting a false certificate of conformance. Metallurgical provided heat treatment and brazing for transmission parts associated with the U.S. Army Bradley Fighting Vehicle (Bradley) and the Multiple Launch Rocket System. Between June 1992 and December 1994, the company submitted numerous certificates of conformance that certified the four parts used in the Bradley were heat treated according to contract specifications when, in fact, they were not. Numerous parts failed while in use. Failure of these parts renders the Bradley inoperable. Special Agent Craig Adams, Minneapolis POD, conducted the investigation jointly with the U.S. Army Criminal Investigation Command (USACIDC).



Health Care

Lee Smith, a mental health counselor associated with Arizona Counseling Associates, Tucson, AZ, pled guilty to an information filed on the same date. Smith was charged with three counts of theft of public money. Subsequent to the plea, Smith was sentenced to 5 years supervised probation and ordered to pay \$3,000 restitution and a \$375 special assessment fee. An investiga-

tion determined that Smith inflated her claims by charging her commute time to and from the clients' homes as counseling hours. Her clients included CHAMPUS beneficiaries. Smith also agreed to be excluded, directly or indirectly, as an eligible provider from CHAMPUS/TRICARE, as well as Medicare and Medicaid. No civil remedies are being sought, but suspension/debarment action is being pursued. Special Agent Robert Hendricks, Tucson POD, conducted the investigation jointly with the FBI and the HHS.

Civil Settlements Travel Costs

The Argonne National Laboratory (Argonne) and University of Chicago entered into a settlement agreement wherein Argonne agreed to pay restitution totaling \$6,541.60 to the Government. The payment does not represent an admission of liability or wrongdoing by Argonne, but was made solely to avoid further litigation and associated expenses. Argonne is a Government-owned, contractor-operated facility of the Department of Energy and is operated by the University of Chicago. During depositions on an unrelated matter, Lawrence T. Shepard and P. Wyman Harrison made statements that resulted in an investigation into

false travel reimbursement claims. The claims were submitted by Argonne contract employees Shepard and Harrison between July 1, 1989 and December 31, 1990, against a National Security Agency contract. Special Agent Thomas O'Connor, Chicago RA, conducted the investigation.

Health Care

Dominion Fertility and Endocrinology Institute, McLean, VA, reached a civil release and settlement agreement with the U.S. Attorney's Office, Eastern District of Virginia, Alexandria, VA, in the amount of \$100,000. The settlement resulted from an investigation of billings submitted by Michael DiMattina, M.D., from January 1, 1988 through January 26, 1998, for noncovered fertility services. The billings contained incorrect coding in order to receive payment from health insurance organizations that included CHAMPUS, Blue Cross/Blue Shield of the National Capital Area and the Government Employees Hospital Association under the Federal Employees Health Benefits Program. Special Agent Robert Craig, Mid-Atlantic FO, conducted the investigation with the Office of Personnel Management, the HHS and the U.S. Postal Inspection Service.



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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