

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**



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Biomedical. Cruz also failed to report the diverted business receipts on her Federal income tax return for that year. Special Agent Alexander Pulles, Chicago Post of Duty (POD), is conducting the investigation with the Internal Revenue Service (IRS), the Federal Bureau of Investigation (FBI) and the U.S. Postal Inspection Service.

Indictments

Income Tax Fraud

An indictment was returned against Edna D. Cruz, Miami, FL, charging her with one count of submitting a false individual tax return and one count of aiding and assisting in preparing a false corporate tax return. Cruz controlled EC Biomedical Laboratory, Incorporated (EC Biomedical), Chicago, IL, a former TRICARE and Medicare provider. Cruz allegedly diverted several business checks payable to EC Biomedical for deposit into her personal bank accounts in Florida and Illinois. This action caused the checks not to be reported as gross receipts on the 1991 Federal corporate income tax return for EC



Kickbacks

Complaints filed against the following individuals charged each with two counts of conspiring to violate Federal statutes that prohibit the payment of kickbacks in exchange for the referral of patients for any items or services: Drs. Vijay Chhabra, Serban Cocioba, Brij Mittal, Farhad Mohebban, Jose A. Munoz, Moshe H. Ostad, Issa

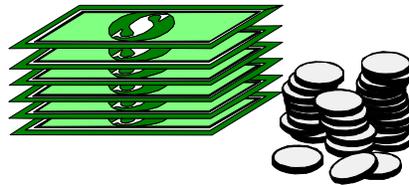
Naman, Bhupendra Shah, Darshan Shah, Jitendra Shah, Nathubai C. Shah, and Darshan Shah's office manager, Suresh Boodram. The defendants allegedly accepted cash payments of kickbacks in exchange for referring patients for durable medical equipment, magnetic resonance imaging and other radiological services. An investigation of Ganesh Surgical Supplies, Incorporated (Ganesh), New Rochelle, NY, and American Open MRI Center, Incorporated (American Open), Forest Hills, Queens, NY, determined that Ganesh and American Open were paying kickbacks to these doctors in exchange for patient referrals. The kickbacks, which continued until April 1998, amounted to over \$500,000. Special Agents Michael Raggi and Silvana Falco, New York Resident Agency (RA), conducted the investigation jointly with the FBI, the IRS and the Department of Health and Human Services.



Bribery

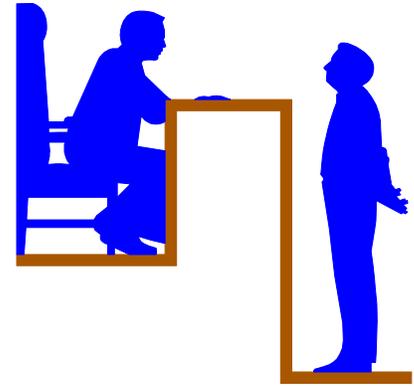
Roger Day, Jr., president of QPZ Products Company, All American Products Company, Quality Products Company, Consolidated Cutting Tool Company, and TMF Nurseries, all located in Sussex County, NJ, pled guilty to five counts of an indictment charging him with conspiracy to bribe Department of Defense (DoD) and Department of Veterans Affairs (VA) officials, conspiracy to make false statements and false claims and to submit false claims to the DoD, counterfeiting the DoD seal, mail fraud and attempted bribery. In addition, Day pled guilty to passport and U.S. Customs reporting violations. During a 4-year period, Day and his wife, Christine Day, conspired to defraud the DoD and the VA of over \$400,000. In doing so, Day bribed Government employees at the U.S. Army Depot, Tobyhanna, PA, and the VA Medical Centers at Lyons and East Orange, NJ. Many of the parts supplied by Day's companies to the DoD were substandard and did not meet military requirements. Day also attempted to pay a \$5,000 bribe to an undercover DCIS agent, who was posing as a DoD quality assurance representative (QAR), to cover up the reporting of Day's use and forgery of the DoD seal and the forgery of the QAR's signature on a DD 250, Material Inspection and Receiving Report. Day initially fled the United States and was arrested in Italy based on an international warrant. He was subsequently extradited to

the United States on July 10, 1997. Day's wife, Christine, previously pled guilty and served a 1-year prison sentence on related charges. Special Agent Paul Passafiume, New Jersey RA, conducted the investigation with the VA and the U.S. Postal Inspection Service.



Sentences False Invoices

Colin Day, president, Lynnfield Leather, Limited (Lynnfield Leather), Lynnfield, MA, was sentenced to 5 months imprisonment, 5 months home confinement, 3 years supervised release and ordered to pay \$154,245 in restitution and \$50 in special assessment fees. Day previously pled guilty to making false statements to the U.S. Government. Lynnfield Leather was a supplier to Rubin Gloves, Incorporated, Gloversville, NY, on a DoD contract to provide \$7.6 million of military dress gloves. Day agreed to create and provide fictitious invoices (amounting to \$340,370) to Everett Weber, president, Rubin Gloves, so Weber could receive advance progress payments from the DoD for work that had not been done. Weber previously pled guilty and was sentenced. Special Agent William Bates, Syracuse RA, conducted the investigation with the FBI and with audit assistance from the Defense Contract Audit Agency.



Stolen Checks

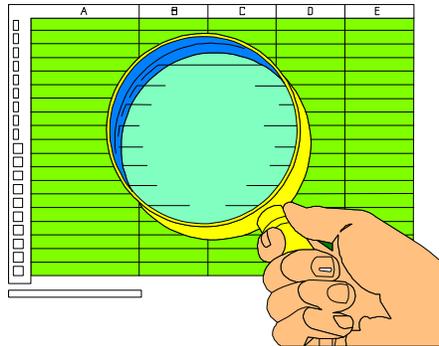
Sandra K. Utley, former employee of Park Ridge Terrace Nursing Home, Loves Park, IL, was sentenced to 27 months incarceration, 3 years supervised probation on release, and ordered to pay \$101,766.86 in restitution and a \$150 special assessment fee. Utley previously pled guilty to one count of embezzlement and/or stealing monies of the United States and one count of filing a false tax return. Between January 1994 and September 1996, Utley stole and negotiated U.S. Treasury checks issued to deceased residents of the nursing home. In her position as secretary, Utley was allowed to open the mail of deceased residents and was responsible for notifying agencies of the deaths of the nursing home residents, which she failed to do. Utley used her position to steal checks, totaling \$24,555.59, issued by such agencies as the DoD, the Social Security Administration and the VA. Special Agent Philip King, Chicago POD, conducted the investigation jointly with the IRS and the Police Department of Loves Park, IL.



Health Care Fraud

Edward Lee Harvey, DMD, was sentenced in U.S. District Court, Sacramento, CA, to 1 year and 1 day imprisonment, 36 months supervised probation, 300 hours community service, a \$3,000 fine and a \$100 special assessment. In addition, Harvey was ordered not to practice dentistry during his period of probation. Harvey previously pled guilty to health care fraud. Harvey, a pediatric dentist, participated in the TRICARE Active Duty Family Member Dental Plan (FMDP), a comprehensive dental benefit program the United States makes available nationwide to active duty military personnel family members. An investigation found that Harvey submitted fraudulent claims to United Concordia Companies, Incorporated (UCCI), Camp Hill, PA. The UCCI administered the FMDP under a TRICARE contract. From February 2, 1996 through August 14, 1997, Harvey submitted false claims for (1) scaling and root planing procedures that were not medically necessary, (2) x-rays that were not medically necessary and (3) reimbursement for services that Harvey had improperly waived beneficiaries' co-payments. Un-

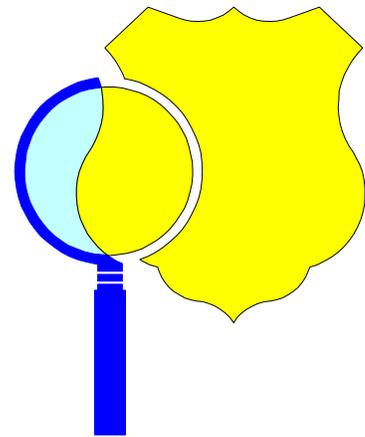
der a separate civil settlement agreement, arvey paid \$527,085.90 in restitution and agreed to be permanently debarred as a DoD health care provider. Special Agent Sam Ferguson, Sacramento POD, conducted the investigation with assistance from the UCCI.



Stolen Checks

April Johnson was sentenced in Atlanta, GA, to 60 months probation, ordered to pay \$27,000 in restitution and to pay a \$100 special assessment fee. Johnson previously pled guilty to one count of conspiracy to defraud the Government. The initial 71-count indictment charged Johnson, co-conspirators William E. Harper, a.k.a. Tommie Lee Harper, and Sadie Tillman with conspiracy to defraud the U.S. Government. In addition, Johnson, Harper and Tillman were charged with various counts of forgery. Harper allegedly received U.S. Treasury checks that had been stolen from the Defense Finance and Accounting Service, Bolling Air Force Base, Washington, DC, and from the Library of Congress, Washington, DC. Tillman and Johnson assisted Harper in negotiating the stolen

checks, using fraudulent identification such as military identification cards. Between December 1994 and April 1996, approximately 97 checks, amounting to over \$174,000, were cashed at several financial institutions and commercial check cashing establishments in the Atlanta, GA, area. Special Agent Ricky Burrell, Southeast Field Office, conducted the investigation jointly with the U.S. Secret Service.



Health Care Fraud

Dr. Laurence McKinney was sentenced in Honolulu, HI, to 12 months in prison, 3 years probation and to pay \$25,145 in restitution for mail fraud. McKinney was a TRICARE Management Activity (TMA) provider in Hilo, HI. An investigation determined McKinney instructed his staff to submit claims to various insurance programs, including TMA, for missed appointments; claims falsely representing that patients were treated for a specific illness; claims he certified as personally providing services to his patients when a registered nurse actually provided the services.

Special Agent Lynne Lowe, Hawaii POD, conducted the investigation jointly with the FBI and the State of Hawaii Attorney General's Medicaid Investigation Division.



Conflict of Interest

Colonel Robert C. Atwell, U.S. Army (Retired), was sentenced in Phoenix, AZ, to 30 days incarceration, 60 days confinement in a community halfway center, 60 days home confinement, 5 years probation and to pay fines and restitution totaling \$16,491.45. He was further ordered not to accept employment from McDonnell Douglas or any of its subsidiaries for the 5-year probation period. Atwell previously pled guilty to charges of conflict of interest and theft of public money. Atwell is the former project manager for the Longbow/Apache helicopter program, Aviation Troop Command, St. Louis, MO. While serving in that capacity, he negotiated employment with McDonnell Douglas Helicopter Systems (MDHS), Mesa, AZ, a DoD Top 100 contractor. While Atwell was negotiating employment with MDHS, he also provided recommendations and advice during the Milestone III procurement process for the AH64D Longbow/Apache helicopter. The Milestone III was approved and MDHS was awarded the full production contract for the

AH64D. Atwell also used his Government telephone credit calling card for his personal use. Special Agent Jeffrey Arsenault, Phoenix RA, conducted the investigation with the FBI and the US. Army Criminal Investigation Command.



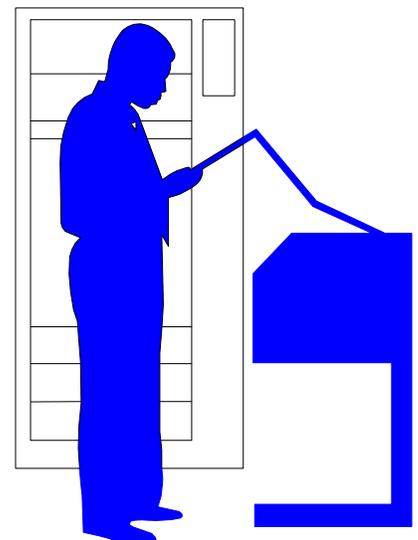
Medicaid Fraud

Kim Ivan Muncrief, D.O., was sentenced in Oklahoma City, OK, to a 4-year deferred adjudication and will pay restitution and compensation of \$29,587.81 to the Government on behalf of TRICARE and \$100,412.19 to the Oklahoma State Medicaid Fraud Control Unit. Muncrief previously pled *nolo contendere* to felony Medicaid fraud. Muncrief operated Pathways of Enid, Incorporated (Pathways), a counseling business in Enid, OK. Muncrief started Pathways in July 1992 with four counselors. An investigation found that Muncrief billed the Government for counseling services as if he had provided the services when his employees had provided the services. The physician's rate is paid only when the physician performs the counseling. Special Agent Charles Case, Tulsa POD, conducted the investigation jointly with the Oklahoma Attorney General's Office.



Product Substitution

Pro-Tech, Incorporated, Waconia, MN, pled guilty to one count of submitting a false official certification or writing to the Government. The same date, Pro-Tech was sentenced to pay a \$20,000 fine and a \$125 assessment fee, and agreed to a \$10,000 civil settlement. Pro-Tech falsely certified that printed wiring boards used on radio modules for the U.S. Marine Corps had been manufactured to military specifications. However, it was found that inspection and testing specifications were not followed during the Pro-Tech manufacturing process. Special Agent Daniel Boucek, Minneapolis POD, 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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DAYTON Resident Agency
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