

Fraud Awareness Newsletter

Volume 98-14

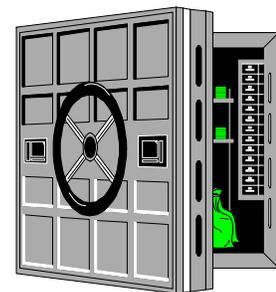
September 16-30, 1998

Courtesy of the
Department of Defense
Office of the Inspector General
Defense Criminal Investigative Service
Central Field Office



Health Care

A three-count indictment was returned in the Western District of Wisconsin against Rufino P. Bravo and Rodolfo P. Panem charging them with submitting false claims to the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). Bravo allegedly submitted false claims, totaling over \$67,000, to CHAMPUS through an unindicted medical provider; Panem submitted false claims of almost \$8,000. The false claims were for hospitalization costs when no hospitalization services were rendered. Special Agent Julio DeGuzman, Van Nuys RA, is conducting the investigation.



Bank Fraud

A one count indictment was returned in Philadelphia, PA, against Jorge Torres, also known as George Boyd, Jr., charging him with bank fraud. An investigation identified Torres as allegedly attempting to negotiate a stolen U.S. Treasury check issued by Defense Finance and Accounting Service (DFAS) in

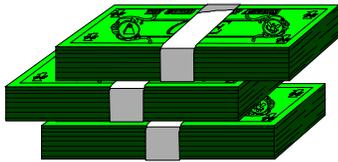
To receive this newsletter electronically e-mail requests to 40SL@dodig.osd.mil. You can download the newsletter and the Adobe Acrobat Reader at www.dfsc.dla.mil/main/d/home_g.htm. This newsletter is based on press releases and public information.

Indictments Wage Rates

Indictments were returned in the District of New Jersey against Sharp Construction Company, Incorporated (Sharp Construction), Alfred "Buddy" Canale and Bommegowda Lokash. They were charged as follows: Sharp Construction 15 counts of false statements; Canale 2 counts of conspiracy, 2 counts of obstruction of an agency proceeding, and 15 counts of false claims; and Lokash 1 count of conspiracy and 2 counts of obstruction of an agency proceeding. From 1992 to 1994, while performing renovations on a Department of Veterans Affairs (VA) contract, and maintenance and repairs on a Department of

the Army contract, Sharp Construction violated the Davis-Bacon Act. The Act requires Federal Government contractors and subcontractors for construction, alteration and repair of public buildings be paid at the prevailing wage rate determined by the Department of Labor (DoL). Sharp Construction or its subcontractors were required to sign a statement of compliance on payrolls, certifying the payrolls were correct and that each worker had been paid the prevailing wage rate. Sharp Construction, Canale and Lokash allegedly conspired to submit false certified payrolls to the DoL, the Department of Defense (DoD) and the VA. In addition, they bribed one of their subcontractors in an attempt to obstruct and impede a pending proceeding before the DoL Wage and Hour Division. Special Agent Fred Wenz, New Jersey Resident Agency (RA), is conducting the investigation with the U.S. Army Criminal Investigative Command (USACIDC), the DoL and the VA.

the amount of \$66,021.94. Special Agent John Davis, Northeast Field Office (FO), is conducting the investigation jointly with the U.S. Postal Inspection Service and the Philadelphia Police Department.



Theft

John Vasper, former director, Armed Services Young Men's Christian Association (ASYMCA), Honolulu, HI, pled guilty to one count of theft. An investigation determined Vasper created false receipts to be personally reimbursed for the purchase of books and postage under DoD contracts being administered by the ASYMCA. Vasper received over \$750,000 in reimbursements from 1987 to 1997. A review of the contracts determined the requirement for the purchase of books and postage was either nonexistent or minimal. Special Agent Wade Muraoka, Hawaii Post of Duty (POD), conducted the investigation with the Federal Bureau of Investigation (FBI), the Naval Criminal Investigative Service (NCIS) and the U.S. Postal Inspection Service.



Kickback

Terry White, an employee of the Veterans Administration Medical Center (VAMC), East Orange, NJ, pled guilty to unlawful salary supplementation of a Government official. White, supervisor of the Engineering Services and Construction Division, VAMC, accepted a \$225 power tool from Roger Day, Jr., doing business as All American Products, Quality Products and TMF Nursery. In return, White placed over \$5,000 in VAMC orders with companies controlled by Day. Special Agent Paul Passafiume, New Jersey RA, conducted the investigation with the VA and the U.S. Postal Inspection Service.



Tax Fraud

Carlos Samper pled guilty in the Eastern District of Pennsylvania to one count of conspiracy to defraud the United States. In a related case, Mary Mullin pled guilty to one count of conspiracy and three counts of filing false tax returns. An investigation disclosed that Samper and Mullin were involved in a scheme in which they were paid a cash salary by their employer, Butler Foods, that was not reported to the Internal Revenue Service (IRS). It was also determined the owners of Butler Foods were involved in several other schemes, including bribery

of Government officials, kickback payments to commercial customers and mislabeling of meat products. Special Agent Heather Zimmerman, Northeast FO, conducted the investigations with the FBI, the IRS and the U.S. Department of Agriculture (USDA).

Bribery

Guy A. Hopkins, a former Federal excess property screener for the Kootenai Indian Tribe, Bonners Ferry, ID, pled guilty to two counts of theft or bribery concerning programs receiving Federal funds. A review of GSA documents determined that Hopkins obtained Federal excess property valued in excess of \$1 million on behalf of the tribe. An investigation into the acquisition, possession and use of Federal excess property obtained by Hopkins and other former property screeners for the tribe found the property was not used for official purposes, but stored at personal residences and converted for personal use. Special Agent Jennifer Wallace, Seattle RA, conducted the investigation with the General Services Administration (GSA).

Theft

Donnell L. Beutel, former surplus property screener for the Port of Bandon, Bandon, OR, pled guilty to one count of theft of Government property and one count of failure to file income tax. The Port of Bandon acquired Federal surplus property from various Defense Reutilization and Marketing Offices under the Federal Surplus Property Program. An investigation de-

terminated Beutel personally profited from the illegal sale of the property and failed to report the additional income on his individual income tax returns. Special Agent Jennifer Wallace, Seattle RA, conducted the investigation with the IRS and the GSA.

Article below
withdrawn by CFO DCIS

Sentences Health Care

David P. Yociss, former owner and manager of Home Pharmacy Services (HPS), Belleville, IL, was sentenced to 2 years imprisonment, 3 years supervised release and ordered to pay fines of \$250,000 and restitution of \$250,000 each to the Illinois Department of Public Aid (IDPA) and the Department of Justice. Yociss previously pled guilty to providing false statements to the Government. An investigation determined Yociss made false statements regarding fraudulent bills submitted to the IDPA. The HPS, a former CHAMPUS provider, supplied drugs and other pharmaceutical products to several nursing homes in southern Illinois. Yociss created a procedure whereby medications, valued in excess of \$2 million, that were returned by the nursing homes to HPS were placed back into the HPS inventory and then resold without crediting the IDPA. In April of this year, the HPS reached a civil settlement of \$5.3 million to cover allegations HPS failed to properly credit the IDPA for returned medications. Special Agent Collen Nichols-Muschler, Central FO, conducted the investigation with other task force members from the FBI, the IRS, the DoL, the Department of Health and Human Services (HHS), the Drug Enforcement Administration, the Food and Drug Administration, the U.S. Postal Inspec-

tion Service and various Illinois State agencies.

Nonconforming Tests

Oneida Research Services, Incorporated (Oneida), Whitesboro, NY, entered a plea of guilty to one count of conspiracy to defraud the DoD and the National Aeronautics and Space Administration (NASA). Oneida agreed to pay a \$500,000 fine and waive all rights to appeal of its earlier conviction on 26 felony counts of submitting false statements and false claims to the DoD and NASA. In addition, Oneida was sentenced to 5 years probation and a \$5,400 special assessment. Charges against Thomas Rossiter, Oneida's president, will be dismissed pending a surety bond or payment in full of the \$500,000 fine within 15 days. From 1979 until November 1995, Oneida performed Residual Gas Analysis (RGA) testing on microelectronic devices that did not adhere to MIL-STD 883, Test Method 1018.2, or Oneida's own standard operating procedures that were approved by the Defense Electronics Supply Center (DESC), Dayton, OH. The test procedure used by the company was known only to its employees, remained undocumented within the company and undisclosed outside the company, and was completely unauthorized by the DoD. Only when customers or DoD representatives visited Oneida to witness RGA testing were the RGA tests performed in strict compliance with its approved standard operating procedures. The devices tested were

for use on the Tomahawk, Maverick and Patriot missiles, the Seawolf submarine, the F-15, F-16 and F-18 aircraft, the Space Shuttle, Space Station, and other DoD and NASA programs. Special Agent Scott Miller, Syracuse RA, conducted the investigation.



Kickbacks

Ronald Leonardi, East Rockaway, NY, was sentenced to 6 months home detention, 3 years probation, a \$10,000 fine and a \$100 special assessment fee for receipt of kickbacks and income tax evasion. Leonardi is the former purchasing manager of raw materials for Israel Aircraft Industries International (IAII), New York, NY. Between 1991 and 1993, Leonardi received approximately \$47,000 in cash kickback payments from Royce Aerospace Materials Corporation (Royce), Farmingdale, NY, a former DoD subcontractor and supplier of raw materials, such as aluminum and titanium. In return, Leonardi provided Royce with bidding information needed to be the lowest bidder on subcontracts awarded by IAII. Leonardi failed to report the additional income on his tax returns. Special Agent Stephanie Jimroglou, New York RA, conducted the investigation jointly with the IRS.

Tax Evasion

Raymond J. Keegan, Jr., Plymouth, MA, former president of Argent Research & Recovery, Ltd. (Argent), was sentenced to 5 months confinement in a halfway house, followed by 24 months of supervised probation, the first 6 months home confinement, ordered to pay a \$3,000 fine and a \$100 special assessment. Keegan previously pled guilty to income tax evasion and failing to report \$106,000 on his personal tax returns for 1993 and 1994. Keegan was a co-owner as well as the president of Argent, formerly operating in Weymouth, MA. Argent identified Federal, state and local government funds that had not been collected by the original payees and then contracted with the payees to collect the funds for a percentage of the proceeds. Both Argent and Matthew M. Drohan, the co-owner and company's executive vice president, were previously found guilty and sentenced for embezzling DoD funds collected on behalf of payees. Argent and Drohan embezzled and converted a \$1,809,284 U.S. Treasury check issued by DFAS and laundered the proceeds through various bank accounts, including company accounts and personal accounts controlled by Drohan. Keegan acknowledged that the unreported income he received through Argent was derived from criminal activity. Special Agent Keith Johnston, Boston RA, conducted the investigation with the U.S. Secret Service and the IRS.

Kickbacks

Alan Touchstone, a former salesman for W.I.S.E., Incorporated, South River, NJ, was sentenced to 4 years probation, 400 hundred hours community service and ordered to pay a \$200 special assessment. In February 1998, Touchstone pled guilty to violating the Anti-Kickback Act and income tax evasion. An investigation determined Touchstone paid kickbacks in exchange for lymphedema pumps ordered from W.I.S.E. Touchstone also made illegal payments to a physician's brother in return for patient referrals and orders for durable medical equipment. Special Agent Kathryn Feeney, Hartford RA, conducted the investigation with the FBI, the IRS, the Health and Human Services (HHS) and the U.S. Postal Inspection Service.

Environmental Crimes

L. Robert Kirk, former general manager of the Avion Environmental Group, Incorporated (Avion), was sentenced to 18 months imprisonment, 100 hours community service and a \$100 special assessment. Kirk previously pled guilty to violating the Federal Clean Water Act by illegally discharging wastewater into the City of Richmond, VA, water supply. As part of its industrial user wastewater permit with the City of Richmond, Avion was required to submit Quarterly Self Monitoring Reports. While employed for Avion, a DoD contractor and subcontractor, Kirk submitted false statements to the City of Richmond on those reports and

illegally discharged wastewater into the Richmond municipal water supply on 10 separate occasions. Kirk falsely certified Avion was operating within its permit parameters. The company also neglected to notify the City of Richmond prior to any discharges. The investigation revealed a number of illegal discharges were recorded in the company logbook, as well as recalled by employees, and all discharges were conducted by Kirk or at his direction. Avion performed tank cleaning and hazardous and nonhazardous waste removal operations at a number of DoD facilities. Those facilities included the Defense Supply Center, Richmond, VA; Fort Lee, VA; Fort Pickett, VA; Fort Eustis, VA; Naval Weapons Station, Yorktown, VA; Langley AFB, VA; Fort Belvoir, VA; and the Naval Surface Warfare Center, Dahlgren, VA. Kirk faces possible suspension and debarment; Avion is no longer operating as a business entity. Special Agent Ben Pruett, Richmond POD, conducted the investigation with the Environmental Protection Agency and the FBI, with technical assistance provided by the Virginia Department of Environmental Quality.

Classified Documents

Juanita M. Griffith, Gainesville, VA, was sentenced to a \$750 fine and a \$25 special assessment fee for removing and retaining classified documents. Griffith resigned from the National Security Agency (NSA) in July 1997. In terminating her NSA employment, Griffith ex-

ecuted an Access Termination and Debriefing Statement requiring the return to the Government of all classified material in her possession. Subsequent leaving NSA, Griffith unlawfully removed a significant amount of classified material and stored it at her husband's place of employment. Special Agent Brian Cropper, Mid-Atlantic FO, conducted the investigation with the FBI.

Health Care

Henri J. Schapira, a psychiatrist, owner and operator of Adult and Adolescent Psychiatry, PC, West Haven and Wallingford, CT, was sentenced to 3 years probation, 6 months home confinement and a \$250 special assessment fee. Schapira further agreed to a \$320,000 civil settlement in the amounts of \$240,000 to Medicare, Medicaid and TRICARE, and \$80,000 to settle pending asset forfeiture charges. Schapira previously pled guilty to mail fraud and unlawful dispensing of a controlled substance. Since about January 1994, Schapira defrauded CHAMPUS, Medicare, Medicaid and his patients by billing for services and procedures that were not performed or were not performed in the manner represented. Special Agent Richard Cannon, Hartford RA, conducted the investigation with the FBI, the Drug Enforcement Administration, the HHS, the Connecticut State's Attorney's Office and the Connecticut Department of Consumer Protection.

Civil Settlements Overcharges

The U.S. District Court, Eastern District of Virginia, ordered Aerospatiale General Aviation (AGA), Grand Prairie, TX, a French-owned company, to pay the United States \$17,285,142 for False Claims Act violations. The company also was ordered to pay a \$10,000 civil penalty and to reimburse the United States for prosecution costs. In February 1994, the Government of Israel, through its Ministry of Defense, New York, NY, contracted with AGA to purchase 22 Trinidad fixed-wing aircraft for \$7.9 million. The contract was partially funded by the Foreign Military Financing (FMF) program administered by the Defense Security Assistance Agency (DSAA), Arlington, VA. Under DSAA rules, AGA was to certify to the portion of the contract price associated with the foreign content of the aircraft. The FMF program only pays that portion of the contract price associated with those goods and services of U.S. origin. The AGA falsely certified to DSAA only \$1.8 million of the contract price came from foreign sources and the remaining \$6.1 million was U.S. content. Based on that certification, DSAA reimbursed the Israeli Government \$6.1 million for the U.S. content of the contract price. The investigation determined AGA could only support costs of \$343,342 of the \$6.1 million. Special Agent Shane O'Neil



To report suspected criminal activity 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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