

# Fraud Awareness Newsletter

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



## Bank Fraud

A two count indictment was returned against Michael A. Nnaife, president, G-Cat Enterprises, Incorporated (G-Cat), Hartford, CT, and Denise Francis, vice president, G-Cat, charging them with mail and wire fraud. G-Cat manufactures, processes and sells wire and cable products to the Department of Defense (DoD), other government agencies and to commercial customers. Nnaife and Francis, acting on behalf of G-Cat, applied for and received a \$970,000 loan from the State of Connecticut. In 1993 and 1994, the loan disbursements were made to G-Cat and were to be used, in part, for the purchase of new machinery and equipment in an amount of at least \$450,000. Nnaife and Francis subsequently represented that G-Cat had purchased and installed specific pieces of machinery and equipment. The investigation determined that in several instances the machinery equipment was never ordered or the order was cancelled, the items returned or instead equipment was leased. In 1995, G-Cat defaulted on the loan and currently owes the State of Connecticut \$977,413 in principal, interest and late payments. G-Cat, a minority owned business, also

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Insurance companies do not pay for the medical supervision of a weight loss regime. The investigation found that insurance claims submitted from GMC allegedly concealed the nature of Dr. Green's practice; billed for procedures or tests that were not performed or were performed less expensively than those charged; billed for office visits, allergy testing and services, and psychotherapy sessions performed by unlicensed GMC staff members. Special Agent Helina Wong, Mid-Atlantic Field Office (FO), is conducting the investigation jointly with the Federal Bureau of Investigation (FBI) and the Office of Personnel Management.

## Indictments

### Health Care Fraud

An indictment was returned against Dr. Samuel M. Green and Bonnie Green, his wife, charging them with multiple counts of conspiracy, mail fraud and wire fraud regarding their operation of Green Medical Center (GMC), Vienna, VA. Dr. Green is a health care provider for the Civilian Health and Medical Program of the Uniformed Services (now known as TRICARE) and other private insurance companies. Bonnie Green worked as the GMC office manager and also provided medical services to patients. The GMC specialized in preventive medicine, specifically, weight loss treatment.



failed to disclose its part ownership of principals of Cableco, Incorporated, a former DoD contractor. Several principals of Cableco have been convicted in connection with the investigation for charges related to bank fraud and for providing faulty wire and cable to the DoD. Special Agent Scott Jackson, Hartford Resident Agency (RA), is conducting the investigation with the FBI.



#### Travel Voucher Fraud

An indictment was returned against Abigail Evangeline Greene, management analyst, Defense Logistics Information Service (DLIS), Battle Creek, MI, charging her on five counts that included false claims, mail fraud and false statements. In May 1997, Greene permanently changed her duty station, transferring from the U.S. Army Tank Automotive and Armaments Command, Warren, MI, to the DLIS. In July and August 1997, Greene filed for relocation reimbursement expenses of \$8,000 with Defense Finance and Accounting Service (DFAS) St. Louis, alleging her spouse and their two children accompanied her in the relocation. The investigation found that Greene's family

members did not join her in Battle Creek until weeks later. In fact, at various times throughout her temporary quarters subsistence expense period, Greene checked out of her subsistence lodging, returning to Detroit for overnight stays, thereby misrepresenting she had continued to maintain her lodging for Government reimbursement. Special Agent T.J. O'Connor, Chicago Post of Duty (POD), is conducting the investigation.

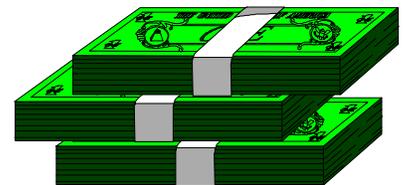
#### Kickbacks

Informations were filed against Charles Childers, former president of Neurodiagnostic Consultants, Incorporated (NDC), Miami, FL, and Manuel Zamora, former billing manager for NDC. Each was charged with conspiracy to defraud health care programs. An investigation determined Childers and Zamora allegedly conspired to make kickback payments for patient referrals, including patients covered by the TRICARE program. Special Agent Robert Calvert is conducting the investigation with the U.S. Postal Inspection Service, the Department of Health and Human Services and the Internal Revenue Service (IRS).

#### Product Substitution

Informations were filed against the following charging each with conspiracy to commit mail fraud: Herbert Berman, Neil Wassel, Jorell Associates, Incorporated (Jorell), and Syntar

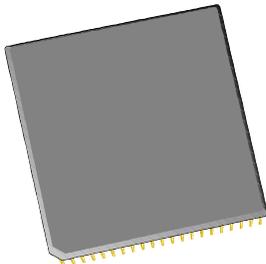
Industries, Incorporated (Syntar), all of Westbury, NY. Each pled guilty. From March 1992 through July 1995, Berman, Wassel, Jorell, Syntar and others conspired to fraudulently obtain money through the U.S. mail. The scheme included the sale of nonspecification component electrical parts to the DoD for use on various DoD weapon systems. An investigation found that the component electrical parts were not considered Original Equipment Manufacturer (OEM) parts, were substandard, or were surplus parts that were manufactured over five years ago. The defendants purchased the non-conforming surplus component electrical parts, obliterated manufacturer markings, falsely labeled and packaged the surplus parts to appear to meet the required specifications, then provided the surplus parts under DoD contracts. Special Agent Bret Flinn, Dyton RA, conducted the investigation with the FBI.



#### Kickbacks

A two-count information was filed against Robert Pennetti, Lynbrook, NY, charging him with one count each of illegal receipt of kickbacks and income tax evasion. Pennetti, former purchasing manager for

Israel Aircraft Industries International (IAII), New York, NY, allegedly received kickbacks from Royce Aerospace Materials Corporation (Royce), Farmingdale, NY, a former DoD subcontractor and supplier of raw materials such as aluminum and titanium. Between 1991 and 1995, Pennetti received approximately \$34,000 in cash payments from Royce in return for providing Royce bidding information that allowed Royce to be the lowest bidder on subcontracts awarded by IAI. Pennetti did not report the additional income on his tax returns. Special Agent Stephanie Jimroglou, New York RA, is conducting the investigation with the IRS.



### Theft

Eric E. Smith, a former DFAS employee, Denver, CO, pled guilty to one count of felony theft. While working as an accountable property officer at the DFAS-Denver Center, Smith stole DFAS computer components, then sold them to various used computer stores in the Denver area and to private parties out of state. The equipment stolen by Smith included 242 eight-megabyte random access memory computer chips, a

computer monitor, and a computer printer, with a total value of \$82,000. Special Agent Janet Mandryk, Denver RA, conducted the investigation.

### Bribery

Control Systems Specialist (CSS) and Darrold W. Crites, president, CSS, each pled guilty to one count each of conspiracy, bribery of a U.S. official and violating the Foreign Corrupt Practices Act. As president of CSS from 1994 to 1997, Crites managed the acquisition and refurbishment of aircraft maintenance supplies for resale to the Government of Brazil. An investigation determined Crites improperly paid a U.S. Government employee to assist him in establishing his business by locating and acquiring U.S. Government surplus equipment used for resale to the Brazilian government. Crites also violated the Foreign Corrupt Practices Act by paying a Brazilian government official to secure and maintain business from the Brazilian government. Special Agent John Carper, Dayton RA, conducted the investigation.

### Income Tax Fraud

John Zarra, a sales representative for Penn Packing Company, Incorporated (doing business as Butler Foods), and Carlos Samper, sales representative for Butler, each pled guilty to one count of filing false tax returns. From 1991 to 1994, Zarra and Samper were employed by Butler, a DoD con-

tractor. During that timeframe, Zarra and Samper each received and failed to report in excess of \$100,000 in cash payments, which was supplemental income from Butler. Special Agent Stanley Newell, New Jersey RA, conducted the investigation with the FBI, the IRS and the Air Force Office of Special Investigations (AFOSI).



### Phone Harassment

Trung Ngo, Falls Church, VA, pled guilty to telecommunications harassment. Ngo, a former DoD employee, later employed at the General Services Administration (GSA), caused numerous, anonymous harassing e-mail messages to be sent to a current senior, supervisory level DoD employee at the Defense Information Systems Agency (DISA). From March 1994 to September 1995, Ngo had worked for the DISA employee as a telecommunications specialist. Beginning in April 1998 and continuing through July 1998, Ngo caused unwanted e-mail messages to be sent, sometimes over 50 per day, for the purpose of harassing the victim. These

messages were received at the victim's DISA e-mail account. In addition, at the end of 1995, the victim began receiving unsolicited magazines, figurines, and other products at his home via U.S. mail. Some items had been requested and some of the magazine subscriptions had been entered in the victim's name. The investigation was conducted by special agents of the DCIS, the DISA and the GSA.

#### Gratuities

Richard Wu, vice president and co-owner of K-Systems Corporation, Dayton, OH, pled guilty to one count of paying gratuities to Freddie Campbell, an employee of the Joint Logistics Systems Center (JLSC), Wright Patterson Air Force Base, OH. Campbell, a civilian employee of the JLSC, was responsible for preparing specifications concerning contracts awarded by the JLSC in support of the design, development, implementation and maintenance of an integrated DoD logistics system. K-Systems Corporation was a subcontractor on several contracts awarded to support the integrated logistics system. Wu provided Campbell with money, gifts and loans, in violation of the Federal bribery statute. Campbell was previously convicted on similar charges. Special Agent Mark Pohl, Dayton RA, conducted the investigation jointly with the FBI and the AFOSI.



## Sentences

**Environmental Crime**  
Bowman Plating Company, Los Angeles, CA, was sentenced to pay \$65,000 in fines, \$35,000 in restitution and a \$800 special assessment fee for violating the Resource Conservation Recovery Act by discharging hazardous waste into the Los Angeles sewer system. Bowman Plating is an electroplating and painting facility with various defense-related subcontracts on naval aircraft, Army helicopter and National Aeronautics and Space Administration (NASA) Space Station programs. All major DoD contracts contain environmental contract clauses that require the contractor to legally dispose of any generated hazardous waste in accordance with existing state and Federal environmental regulations. Special Agent Ron Mayeda, Long Beach RA, conducted the investigation jointly with the Environmental Protection Agency, the NASA and the Naval Criminal Investigative Service (NCIS).

#### Product Substitution

Randy B. McNeal was sentenced in U.S. District Court, Columbus, OH, to 15 months

incarceration, 3 years supervised release, to pay restitution of \$124,105.75 and a \$2,200 special assessment. McNeal previously pled guilty to a 39-count indictment charging him with false statements, false claims and mail fraud. From 1991 through 1996, McNeal devised and operated a scheme to defraud the DoD. He persuaded individuals with little or no experience to incorporate various entities, assisted those individuals in incorporating those entities, and devised a profit sharing plan with the individuals. McNeal then served as a consultant for five companies: Grove Industries, Incorporated; Divided Manufacturing, Incorporated; Central Pioneer, Incorporated; Eagle Manufacturing, Incorporated; and American Manufacturing, Incorporated. McNeal used the companies to supply nonconforming, substituted items under numerous purchase orders awarded the corporations by the Defense Supply Center Columbus (DSCC), Columbus, OH. The purchase orders required OEM parts. McNeal directed the companies to submit bids indicating they would supply the required OEM parts, then, through the corporations, supplied parts marked as OEM parts. Invoices were sent to DFAS, Columbus, OH, indicating the required OEM parts were provided. However, the parts supplied by McNeal were not OEM parts and could not

be used. Special Agent Michael Hampp, Columbus RA, conducted the investigation.

### Obstruction

Computer Systems Development Corporation (CSDC), Chantilly, VA; Jose Luis Hernandez, president and owner of CSDC; and Arselia Hernandez, Jose's wife and vice president of CSDC, were sentenced on one count of obstruction of proceedings before departments, agencies, and committees. Jose Hernandez was sentenced to 27 months imprisonment, 3 years supervised release, \$100,286 restitution and a \$2,250 special assessment; Arselia Hernandez to 21 months imprisonment, 3 years supervised release, \$100,286 restitution and a \$2,250 special assessment; CSDC a \$10,000 fine, \$100,286 restitution and a \$200 special assessment. From 1994 through 1996, Jose Hernandez, Arselia Hernandez, Jesse Hernandez (Jose's brother) and CSDC conspired and created Comtel International (Comtel), also owned by Jose and Arselia Hernandez. Comtel was set up to act as a parts supplier and was used to provide price bids on materials to CSDC. Since Comtel obtained its prices from the same suppliers as those being used by CSDC, Comtel's bids to CSDC were usually higher than the other bids. Comtel was used to add costs, i.e., profit. Comtel was used to submit in-

flated invoices to the Department of the Army Communications and Electronics Command (CECOM), Ft. Monmouth, NJ. As a result, the Army paid an additional \$507,000 of material costs to CSDC on a contract CSDC held with CECOM to provide wiring and installation of information systems. The CSDC did not submit a request to the Army to use Comtel as a subcontractor as required by the contract. Special Agent Tom Gibson, Mid-Atlantic FO, conducted the investigation with the NCIS.



### Arm Exports

The following employees or affiliates of International Signal and Control Company (ISC), Lancaster, PA, were sentenced for conspiracy and other counts such as tax evasion, wire fraud and Arms Export Control Act violations: Lawrence Resch, former ISC business consultant, 3 months incarceration, 3 months home detention, 3 years supervised probation, \$10,000 restitution and a \$150 special assessment; Anthony Stagg, former ISC international sales and program manager, 3 months home detention, 3 years probation, \$16,000 restitution and a \$50 special assessment; Robert Shireman, former ISC

financial officer, 6 months incarceration, 3 months house arrest and a \$7,500 fine; Wayne Radcliffe, former ISC vice president of special projects, 6 months home detention, 3 years probation and a \$7,500 fine; Terrance Faulds, former ISC vice president of manufacturing, 6 months home detention and 3 years probation; Gerald Schuler, former ISC freight forwarder, 3 months incarceration, 3 months home detention, 3 years supervised release and a \$3,500 fine. The ISC engaged in the design, manufacture and sale of medium to high technology electronic military equipment for the DoD and commercial businesses. Resch and Shireman fraudulently inflated the sales, costs and profits of ISC in order to secure financing and investors. Stagg and Faulds were involved in evading the United Nations arms embargo against South Africa by selling and smuggling U.S.-made arms, munitions and weapon technology to Armscor, a South African corporation established to meet the armament needs of South Africa. Radcliffe and Schuler were involved in coordinating and illegally shipping various military and commercial components to the Republic of South Africa, in violation of the Arms Export Control Act. Special Agent Susan Clowry, Northeast FO, conducted the investigation with the FBI, the IRS and the U.S. Customs Service.

### Kickbacks

Nicholas Coluccio was sentenced in U.S. District Court, Eastern District of New York, to 3 years probation, a \$5,000 fine and a \$100 special assessment fee for conspiring to defraud the IRS. Robert Berger, president of Royce, Farmingdale, NY, a former DoD subcontractor, conspired with Coluccio, acting as a "check cashier," to defraud the IRS. Berger devised a fictitious invoicing scheme to generate cash out of Royce. As part of the conspiracy, Coluccio, and other "check cashiers" provided the names of numerous fictitious companies to Berger. Checks were then written and issued from Royce to these fictitious companies and delivered to the "check cashiers." The "check cashiers" then used various methods to cash the checks, including check cashing facilities, banks and bank accounts under their control. The cash was then delivered back to Berger, minus a fee kept by the "check cashiers." The cash was used to pay kickbacks to prime DoD contractors. Special Agent Stephanie Jimroglou, New York RA, conducted the investigation jointly with the IRS.

### Fraud

Henry Lee Mooney was sentenced in U.S. District Court, St. Louis, MO, to 5 years probation, to pay \$14,795 in restitution and a \$100 special assessment fee for theft and con-

spiracy to defraud the Government. Mooney conspired with Annie Roy, a former DFAS voucher examiner, to create fictitious businesses and prepare fraudulent U.S. Army contracts. These actions resulted in two payments that totaled \$24,795. Special Agent Linda Hanley, Central FO, conducted the investigation with the FBI and the U.S. Postal Inspection Service (USPIS).

### Product Substitution

Airweld of Kentucky, Incorporated (AOK), and REP-AIR, both of Louisville, KY, were sentenced on one count each of mail fraud. AOK and REP-AIR were each ordered to pay \$262,512 in restitution (a total of \$525,024.00) and a \$200 special assessment. Robert E. Petty, Jr., president of AOK and REP-AIR, was sentenced to 24 months probation, a \$260 fine and ordered to pay a \$25 special assessment for one count of embezzlement. An investigation established that AOK and REP-AIR used the U.S. mails to submit fraudulent billings for surplus and untraceable aircraft parts to Serv-Air and E-Systems, both DoD prime contractors located in Greenville, TX. Petty purchased used, repaired and serviceable aircraft parts and then represented them to vendors at higher catalog prices as newly manufactured McDonnell Douglas parts. These inflated costs were passed along to commercial and Government prime

contractors. The parts were used to repair and overhaul wheels and brakes, airstairs, fairings and thrust reversers on the McDonnell Douglas DC-9 aircraft used by the Navy, the Air Force and the commercial aviation industry. Special Agents Davidson Martin, Van Nuys RA, and Brian Evans, San Francisco RA, conducted the investigation with the FBI and the Department of Transportation.



### Civil Settlement Worker's Compensation

Kiem D. Dao, a former civilian employee of the Department of the Navy, entered into a precomplaint settlement with the Department of Justice, Minneapolis, MN. An investigation into allegations of Office of Workers' Compensation Program (OWCP) fraud determined Dao had been receiving dual entitlements via the Department of Labor OWCP and the Office of Personnel Management. The amount of the overpayment is \$41,575.99, which is to be paid by Dao as part of the settlement agreement. Special Agent Daniel Boucek, Minneapolis POD, conducted the investigation.



*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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