

# Fraud Awareness Newsletter

Volume 98-19

December 16-31, 1998

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



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## Indictments

### False Tax Returns

A superseding indictment was returned against Edna D. Cruz, Miami, FL, charging her with two counts of submitting a false tax return, four counts of aiding and assisting in the preparation of a false tax return, two counts of tax evasion and two counts of bank fraud. On August 6, 1998, Cruz was indicted on one count each of submission of a false individual tax return, and aiding and assisting in the preparation of a false corporate tax return. Cruz controlled EC Biomedical Laboratory, Incorporated (EC Biomedical), Chicago, IL, a former TRICARE and Medicare provider. An investigation found that Cruz allegedly de-

posited a substantial number of business checks payable to EC Biomedical in personal bank accounts in Florida and Illinois. As a result, the checks were not reported as gross receipts on the corporation's Federal corporate income tax returns. Cruz further allegedly neglected to report the diverted EC Biomedical business receipts on her Federal tax returns during the years 1991 through 1993. Se is also charged with submitting bogus tax returns to a bank in connection with a loan application. 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 (USPIS).



### Health Care Fraud

A 15-count indictment was unsealed against Thomas L. Palmer and Terry Sparger charging each with conspiracy to defraud the Medicare and TRICARE health care programs, soliciting and receiving kickbacks and making kickback payments. Palmer and Sparger were associates of Resources Management Group, Tampa, FL. An investigation disclosed that Palmer and Sparger allegedly made and received illegal payments for patient referrals for mental health and alcohol and drug treatment at various hospitals in Florida and Texas. Their patients included individuals covered under the Department of Defense (DoD) TRICARE program. Special Agent James P. Sutherin, Orlando Resident Agency (RA), is conducting the investigation with the IRS and the FBI.

### Extortion

A complaint was filed against Dennis S. Seiler, Dana Point, CA, charging him with extortion. A subsequent three-count indictment was filed charging Seiler with blackmail, obstruction of a criminal investigation and aiding and abetting. Seiler was a non-destructive testing (NDT) engineer for Votaw Precision Technologies (Votaw), Santa Fe Springs, CA. Seiler initially contacted the DCIS claiming to have documentation on improper

NDT inspections by Votaw in connection with the Air Force Titan Launch Vehicle. Seiler met with DCIS agents and claimed to have three boxes of documents supporting his allegations, but he failed to produce them during that meeting or at a later time. On December 10, 1998, Seiler contacted Votaw and claimed to be working with the DCIS on an investigation into improper NDT by Votaw on the Titan Launch Vehicle. Seiler allegedly stated he was capable of "derailing the investigation" and would do so if Votaw paid him 6 months salary (\$28,000). He also agreed to provide the three boxes of documents to Votaw in exchange



for the money. A DCIS agent, posing as a Votaw employee, met with Seiler to receive the alleged documents in exchange for the \$28,000. Following a successful meeting, Seiler was arrested. Special Agent Craig Wyckoff, Western Field Office (FO), is conducting the investigation.

#### Health Care Fraud

A one-count indictment against Stephen R. Hamparian and a one-count information against Catherine E. Poli were unsealed in the Middle District of Florida, Tampa, FL. Each is charged with receiving kick-

backs in connection with a patient-brokering scheme. An investigation determined Hamparian and Poli allegedly referred psychiatric patients, including patients covered by the DoD TRICARE program, to the Horizon Hospital and other hospitals for mental health and alcohol and drug treatments in return for illegal payments. Special Agent James P. Sutherin, Orlando RA, is conducting the investigation with the IRS and the FBI.

#### Kickbacks

An information was filed in U.S. District Court, Tampa, FL, charging Frank Lopez with conspiracy to defraud health care programs and income tax evasion. Lopez, president of Somed Company (Somed), Clearwater, FL, allegedly conspired to make kickback payments for patient referrals, including patients covered by the DoD TRICARE program. In addition, he allegedly claimed the kickback payments as business expenses on his Federal income tax returns. Special Agent Robert Calvert, Orlando RA, is conducting the investigation with the IRS, the Health and Human Services (HHS) and the USPIS.



#### Kickbacks

David C. Weber, Los Gatos, CA, pled guilty to conspiring to commit an offense against the United States by offering and paying kickbacks and rebates to induce the referral of laboratory services. From 1987 through 1996, Weber participated in a conspiracy that involved offering and paying remuneration in the form of rebates on dialysis related products, consultant fees, and study grants. In return, certain dialysis facilities ordered clinical laboratory tests. At the time of the conspiracy, Weber was vice president of sales for the Medical Products Division (MPD), a subsidiary of National Medical Care, Incorporated (NMC). The NMC, then headquartered in Waltham, MA, was the largest provider of services to end-stage renal disease patients in the United States. Fresenius Medical Care, headquartered in Lexington, MA, purchased NMC in July 1997. The MPD sold dialysis-related products to facilities both owned by NMC (internal) and not owned by NMC (external). Lifechem, another NMC subsidiary, provided clinical laboratory blood testing services to both internal and external dialysis facilities. The marketing of laboratory services for Lifechem to external facilities was handled by MPD. To obtain Lifechem laboratory business from external accounts, Weber and others offered and paid moneys via special discounted pricing on dialysis related products, rebates and grants. While the dialysis ac-

counts had to pay for the MPD products out of their own revenues, Government moneys paid for the Lifechem services almost entirely. The illegal discount and rebate program allowed Lifechem to obtain business that otherwise would have been lost. Weber and his co-conspirators also attempted to eliminate any paper trail showing the illegal remuneration. The value of the rebates and kickbacks paid to eight different dialysis facilities exceeded \$2 million. Special Agent Yvette Cavanaugh, Boston RA, conducted the investigation with the FBI, the HHS and the Department of Labor.



## Sentences

### Health Care Fraud

Juerg A. Stuckensen, M.D., and Rainer Wiedman, M.D., were each convicted of fraudulently billing the German Mandatory Health Insurance Plan and the DoD TRICARE program. Stuckensen was sentenced to 5 years imprisonment; Wiedman was sentenced to 34 months imprisonment and a \$135,000 fine. The defendants conspired to submit claims for payment and received payment for medical services they were not qualified to

perform and did not perform. Moreover, Stuckensen and Wiedman submitted claims for payment for medical procedures that are not reimbursable. Investigator Ulrich Seufert, European POD, conducted the investigation jointly with the Wurzburg State Criminal Police and the U.S. Army Criminal Investigation Command (USACIDC).

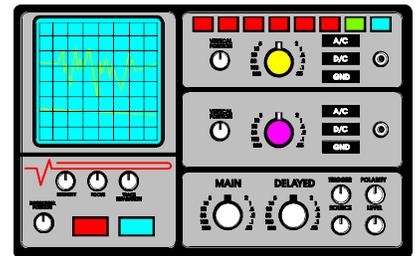
### Theft of Surplus

Guy A. Hopkins, former Federal excess property screener for the Kootenai Indian Tribe, Bonners Ferry, ID, was sentenced to 6 months home detention, 2 years probation and fined \$2,000 for his participation in illegally acquiring and using Federal excess property. Hopkins pled guilty to converting Federal excess property he acquired on behalf of the Kootenai Indian Tribe. A review of GSA documents determined Hopkins obtained over \$1 million of property on behalf of the Tribe. The property was stored at personal residences and facilities and converted for personal use. Special Agent Jennifer Wallace, Seattle RA, conducted the investigation with the General Services Administration (GSA).

### Product Substitution

Norman L. Clark appeared in U.S. District Court Columbus, OH, and pled guilty to making a false claim. Clark waived a presentence investigation and was sentenced to 12 months probation. An investigation determined Clark attempted to obtain money from the Government by virtue of a false instrument for the sale of M-80 microphones to

a DoD subcontractor. The microphones did not meet the required specifications in that they failed, among other requirements, immersion testing. Clark knew of the nonconformities but did not disclose them. Clark, through his previous employer, DoD subcontractor Micacraft, sent invoices requesting payment. The invoices falsely stated the microphones met all required specifications. Special Agent Bret Flinn, Dayton RA, conducted the investigation with the FBI.



### Product Substitution

Donald Shuman, former supervisor, Microelectronics Division, Residual Gas Analysis Group, Oneida Research Services, Incorporated (Oneida Research), Whitesboro, NY, was sentenced to 1 year probation, 40 hours of community service and a \$25 special assessment. Shuman admitted conspiring to file and causing the filing of false certifications with the DoD and the National Aeronautics and Space Administration (NASA). Shuman falsely certified that tests were done according to Military Standard 883, Test Method 1018.2, when he knew Oneida Research test technicians had used an "undocumented and unapproved method." Special

Agent Scott Miller, Syracuse RA, conducted the investigation with NASA.



### Environmental Crime

Thomas Kardos, former president of Broomer Research Corporation (Broomer), a DoD contractor for the manufacture of optical equipment, and Broomer were sentenced on charges relating to the illegal handling of hazardous waste. Kardos was sentenced to 4 months incarceration, 4 months home detention (with electronic monitoring), a \$10,000 fine and a \$100 special assessment. Broomer was sentenced to 1 year of probation, a \$100,000 fine and a \$400 special assessment. Kardos and others were responsible for the illegal dumping of chemical waste resulting from a production process used to coat lenses. In addition to any punishment imposed by the court, Broomer agreed to pay for the cleanup of the property, estimated at \$100,000. Kardos agreed to cease working for, or receive compensation from, any company engaged in the business of optical manufacturing and coating if such work involves, directly or indirectly, a contract or assignment of the United States or any agency of

the United States for a period of 3 years. Special Agent Susan Lynn, New York RA, conducted the investigation in conjunction with the New York Hazmat Task Force.

### Bribery

John Donahue, an employee of the Veterans Administration Medical Center, Lyons, NJ, was sentenced to 5 years probation for conspiring to accept bribes. Donahue accepted cash and other items of value from Roger C. Day, Jr., in exchange for placing orders with companies that Day controlled--All-American Products, Quality Products and TMF Nurseries. Day previously pled guilty to similar charges involving fraud against the DoD and is awaiting sentencing. Special Agent Paul Passafiume, New Jersey RA, conducted the investigation with the Department of Veterans Affairs and the USPIS.



### Theft of Surplus

Donnell L. Beutel, former surplus property screener for the Port of Bandon, Bandon, OR, was sentenced to 1 year and 1 day in prison, 3 years probation, 60 hours community service and ordered to pay restitution of \$81,996 stemming from the illegal sale of Federal surplus property. Beutel previously pled guilty to theft of Government property and failing to file indi-

vidual income tax returns. An investigation into the Port of Bandon's use of Federal surplus property determined Beutel unlawfully acquired, possessed, and sold Federal surplus property obtained by Beutel from various DRMOs. In addition to violating laws governing the Federal Surplus Property Program, Beutel personally profited from the sale of the property and failed to file individual income tax returns reflecting that personal income. Special Agent Jennifer Wallace, Seattle RA, conducted the investigation with the IRS.

## Civil Settlement

### Forged Orders

William J. Smallzman, also known as William J. Nobrega, entered into a settlement agreement to pay the Government \$65,000. In addition, a judgment for \$322,274 will be entered by the Court and will be recorded if Smallzman defaults under the terms of this agreement. An investigation revealed that Smallzman, a former specialist in the U.S. Army, created false sets of active duty orders extending him on active duty and allowing him to be paid after his release from the military. Smallzman also changed his rank and pay grade from a specialist to a staff sergeant on the false orders and submitted nine travel vouchers using the false active duty orders. The total loss to the Government was about \$65,000. Special Agent Christopher Albers, Indianapolis 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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