

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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Indictments

Bribery

An indictment was returned against George Stathakopoulos in the District of Hawaii, Honolulu, HI, charging him with one count of wire fraud. An investigation determined Stathakopoulos fraudulently attempted to obtain \$250,000 from a confidential informant (CI) in order to arrange to have the low bidder of a painting contract withdraw their bid. Stathakopoulos attempted to convince the CI that once the low bidder (a Nevada painting company) dropped out, the CI's company (the second low bidder) would then be awarded the contract. Stathakopoulos allegedly told the CI he would have to give Stathakopoulos a

subcontract or pay him the \$250,000 in order for the CI's company to get the job. As part of the scheme, Stathakopoulos faxed a subcontract from California to Hawaii, claiming it was his "insurance" that he would be paid one way or another for his efforts. Stathakopoulos did not have an arrangement with the Nevada painting company to withdraw its low bid. Special Agent Lynne Lowe, Hawaii Post of Duty (POD), is conducting the investigation with the Federal Bureau of Investigation (FBI) and the Naval Criminal Investigative Service (NCIS).



Debarment Violation

An 11-count indictment was returned against Mirza Z. Ali and Sameena R. Ali for conspiracy and making false statements to a Government agency. Mirza Ali was debarred from Govern-

ment contracting. An investigation revealed that he used the aliases Zulfiqar Eqbal and Henry Stone to remain a principal in his wife's Defense contracting company, Samtech Research (Samtech), Fremont, CA. The Alis, through Samtech, engaged in business with the DoD and other Government agencies and allegedly conspired to keep Mirza Ali's involvement and identity concealed. In addition, the Alis allegedly caused other Samtech employees to falsely certify on Government solicitations that no principal of Samtech was debarred, proposed for debarment or suspended from Government contracting. The scheme resulted in Samtech being awarded over \$16 million in DoD contracts during the period of Mirza Ali's debarment. Special Agent T.C. McIntosh, San Francisco Resident Agency (RA), is conducting the investigation.

Kickbacks

A 19-count indictment was returned in U.S. District Court, Philadelphia, PA, against Paul Jasionowski charging him with interstate travel in aid of racketeering. An investigation disclosed Jasionowski, a meat manager for ShopRite Supermarkets, allegedly accepted kickbacks from Larry Lipoff and other representatives of Butler Foods, a

Philadelphia based meat distribution company. The kickbacks were paid in exchange for the purchase of meat products from Butler Foods. The investigation also disclosed that the owners of Butler Foods were involved in other schemes such as bribing Government officials, mislabeling meat products, and failing to report cash salaries to the IRS. Special Agent Heather Zimmerman, Northeast Field Office (FO), is conducting the investigation jointly with the FBI, the IRS and the U.S. Department of Agriculture (USDA).



Health Care Fraud

Carter B. Hall, owner and president of Aberdeen Ambulance Service, Incorporated (Aberdeen Ambulance), Aberdeen, SD, and the company were indicted on 223 counts of wire fraud, 4 counts of engaging in monetary transaction in property derived from specified unlawful activity, 6 counts of money laundering and 1 count of asset forfeiture. From April 1994 through January 6, 1999, Hall allegedly electronically submitted false and inflated claims to Medicare, TRICARE (formerly the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS)) and the State of South Dakota Medicaid Program for reim-

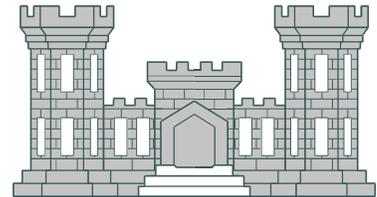
bursement of ambulance services. Aberdeen Ambulance had a contract with St. Luke's Midland Regional Hospital (St. Luke's), Aberdeen, SD, to provide intracampus transfer of patients. St. Luke's paid Aberdeen Ambulance \$143,000 for these services. Hall then submitted claims to Medicare, TRICARE and Medicaid for these same services, stating the transfers were emergency transports and not intracampus transfers which are not reimbursable items. Hall received an additional \$127,318 for these duplicate billings. Hall used the additional funds to purchase two ambulances, upgrade his service offices, pay off all business loans, purchase recreational acreage in the Black Hills of South Dakota and to pay a portion of employee payroll taxes. Special Agent Randall Heider, Sioux Falls POD, is conducting the investigation with the FBI, the IRS and the State of South Dakota Medicaid Fraud Unit.



Progress Payments

Willie Starling, president of S&A Construction Company (S&A), Newark, NJ, was arrested in New Orleans, LA, by agents of the DCIS, the U.S. Postal Inspection Service (USPIS) and the Department of Veterans Affairs (VA). Starling

was charged with mail fraud associated with contracts that S&A held with the DoD, U.S. Postal Service and VA. It is alleged that Starling fraudulently obtained Small Business Administration 8(a) status. He then secured numerous lucrative Government contracts, including a \$1.1 million U.S. Army Corps of Engineers (USACE) contract, then either brokered the contracts for a fee or defaulted on the contracts after receiving several hundred thousand dollars in progress payments. The loss to the Government exceeds \$1.6 million. Special Agent Paul Pasafiume, New Jersey RA, is conducting the investigation with the VA and the USPIS.



Undercover Operation

An undercover operation, code named "Operation Overdraw," has resulted in the following guilty pleas:

- Raphaela Araboghli, owner of R&R Surgical Medical Supplies, Incorporated (R&R), Bridgeport, CT, pled guilty to conspiracy and making and subscribing to false income tax returns. From May 1995 through the end of 1996, Araboghli paid approximately \$78,000 in kickbacks to Francisco Carbone, a doctor employed with the

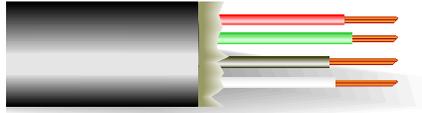
Bridgeport Community Health Center, Bridgeport, CT. In exchange, Carbone referred hundreds of medical patients to R&R. Some of those patients were covered under the TRI-CARE program.

- Candido Veras, former owner of One-Stop Surgical, Stratford, CT, pled guilty to mail fraud and subscribing to false income tax returns. Veras defrauded Medicaid of approximately \$51,480 by falsely representing that more expensive, custom-made compression stockings had been provided to Medicaid recipients when, in fact, ready-to-wear, less costly stockings were provided.

- Reynaldo Diaz, former owner of R&M Surgical, Bridgeport, CT, pled guilty to mail fraud and failure to file income tax returns. Diaz defrauded Medicaid of approximately \$85,000 by falsely representing that more expensive, custom-made compression stockings had been provided to Medicaid recipients when, in fact, less costly, ready-to-wear stockings had been supplied.

Overdraw, an undercover medical business, dealt with dozens of health-care related companies in Connecticut, New York and New Jersey suspected of engaging in fraudulent activities associated with Medicare, Medicaid, private insurance companies and TRICARE, formerly CHAMPUS. Special Agent Kathryn Feeney, Hartford RA, conducted

the investigations with the FBI, the IRS, the USPS and the Department of Health and Human Services, in conjunction with the Connecticut Health Care Fraud Task Force.



Product Substitution

Peter R. Bossow, Jr., president of Mil-Pack, Incorporated (Mil-Pack), Montgomeryville, PA, pled guilty on behalf of Mil-Pack to two counts of making false statements. The Defense Industrial Supply Center (DISC), Philadelphia, PA, awarded Mil-Pack contracts to manufacture low smoke electrical cable (a critical application item). The DISC contracts required that the cable pass specific tests that were called out in a new revision of the Government specifications. An investigation determined that on several occasions Mil-Pack provided cable that did not meet the latest revision of the Government specifications. On two occasions Mil-Pack submitted altered or falsified certificates of conformance that stated the cable met the required specifications. Special Agent Joseph Lerario, Northeast FO, conducted the investigation with the FBI.

Sentences

Kickbacks

The following employees of Butler Foods, a Philadelphia

based meat distribution company, were sentenced:

- Francis Taylor was sentenced to 1 year probation and ordered to pay a \$400 special assessment for conspiring to defraud the United States and filing false tax returns;

- Carlos Samper was sentenced to 4 years probation, 150 hours of community service and ordered to pay a \$200 special assessment for conspiring to defraud the United States.

Taylor and Samper each received a cash salary from their employer, Butler Foods, that was not reported to the IRS. The owners of Butler Foods also were involved in several other schemes, to include bribery of Government officials, payment of kickbacks to commercial customers, and mislabeling of meat products. Special Agent Heather Zimmerman, Northeast FO, conducted the investigations jointly with the FBI, the IRS and the USDA.



Harassment

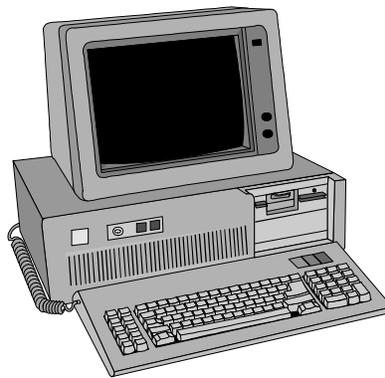
Trung Ngo, Falls Church, VA, was sentenced to 30 days imprisonment, a \$1,000 fine, 1 year of supervised release, 100 hours of community service, and a \$100

special assessment. Ngo previously pled guilty to repeated telecommunications harassment. Ngo, a former DoD employee, later employed at the General Services Administration (GSA), caused numerous, anonymous and 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 worked as a telecommunications specialist for the DISA employee. Around September 1995, Ngo was assigned to another organization at DISA, then left DISA in February 1998 to join GSA. Beginning in April 1998 and continuing through July 1998, Ngo caused to be sent unwanted e-mail messages, sometimes over 50 per day, for the purpose of harassing the victim. The victim received these messages at his 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 Defense Information Infrastructure Intrusion Investigation Team, the DISA and the GSA.



Computer Theft

Eric E. Smith, former Defense Finance and Accounting Service (DFAS) employee, was sentenced to 3 years probation, a \$1,000 fine and ordered to pay a \$50 special assessment fee. Smith previously pled guilty to one count of felony theft. While working as an accountable property officer at the DFAS Center-Denver, CO, Smith stole DFAS computer components: 242 8-megabyte random access memory computer chips, a computer monitor, and a computer printer. Smith then sold the stolen components to various used computer stores in the Denver area and private parties out of state. Special Agent Janet Mandryk, Denver RA, conducted the investigation.



Health Care Fraud

Mark Smith, doing business as Major Medical Health Services, Incorporated (MMHS), Westminster, CO, was sentenced to 24 months probation, including 4 months house arrest, payment of \$40,854 in restitution, 150 hours community service and a \$100 special assessment fee. Smith previously pled guilty to two counts of mail fraud. Smith, president of MMHS, located his

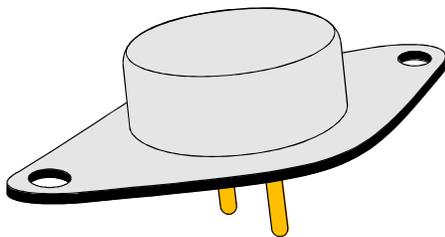
corporate office in Columbus, OH. Under the name MMHS, Smith was paid approximately \$140,000 as a result of filing false CHAMPUS and private insurance claims for durable medical equipment (DME). Smith obtained a list of persons with handicapped license plates from the local motor vehicles office, then directed employees at the Westminster, CO, office to use telemarketing techniques to sell scooters and adjustable beds while offering the DME as free with no co-share to people with physical handicaps. The health insurance companies were then billed for more sophisticated and expensive equipment and in some cases billed for DME that was never delivered. Special Agents Janet Mandryk, Denver RA, and James Olmstead, Columbus RA, conducted the investigation with the FBI.



Product Substitution

Larry Liberti, government sales manager at Nidisco, Incorporated (Nidisco), Lodi, NJ, was sentenced to 6 months home confinement, 1 year probation and a \$5,000 fine for conspiracy to commit mail fraud. From 1986 through 1993, Liberti, Nidisco and Nidisco's president and owner, Stuart P. Kreiner, conspired with each other and others

to fraudulently obtain money for the sale of nonconforming component electrical parts to the DoD. The parts were for use on various DoD weapon systems. The investigation determined Liberti, Nidisco and Kreiner purchased nonconforming surplus component electrical parts, obliterated manufacturer markings, falsely labeled and packaged the surplus parts so as to appear to meet the required specifications, provided the surplus parts under DoD contracts and received payment for these parts through the U.S. mail. Kreiner and Nidisco were convicted previously of conspiracy to commit mail fraud. Special Agent Bret Flinn, Dayton RA, conducted the investigation with the FBI.



Gratuity

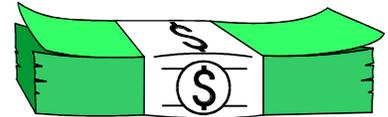
Jack Mattachione, a former U.S. Air Force civilian employee, was sentenced to 3 years probation, 150 hours community service and a \$15,000 fine for accepting a gratuity. From 1993 to 1995, Mattachione was a logistics management specialist at the Air Force Security Assistance Command, Wright-Patterson Air Force Base, OH. His duties included managing the acquisition of aircraft supplies for the Government of Brazil. An investigation deter-

mined Mattachione used his official position to assist local companies in acquiring Government surplus property and accepted gratuities of cash for this service. Special Agent John A. Carper, Dayton RA, conducted the investigation.

Civil Settlements

Product Substitution

Bayou Environmental Group (Bayou) agreed to pay the Government \$130,000. This will settle allegations Bayou used substandard and possibly toxic materials in a USACE levee enhancement project along the shores of Lake Ponchartrain in Jefferson and St. Charles Parishes, LA. An investigation revealed Bayou's subsidiary, Bayou Tree Service, used substandard soils throughout the landscaping portion of the contract. The soils contained a large percentage of waste ash from a paper mill in place of the contractually required peat moss and organic topsoil mixes. The USACE soil analysis found no harmful levels of toxins in the ash-laden soils. The project's prime contractor, River Road Construction, Incorporated (River Road), was unaware of Bayou's use of substandard soils. River Road was released as a defendant in the lawsuit. Special Agent Mark Hollomon, New Orleans RA, conducted the investigation.



Kickbacks

A settlement and release agreement was signed by officials of Bell Helicopter Textron, Incorporated (Bell), and the Government. The agreement, which has been under seal, is the final disposition of a civil False Claims Act complaint filed in 1996. Bell paid \$450,000 on October 22, 1998, in accordance with the agreement. An investigation was conducted into allegations Bell procurement personnel unlawfully accepted kickbacks and gratuities from certain vendors, overcharged on Government contracts, and filed false claims in connection with purchasing nonspecification metals for use in manufacturing helicopters sold to the U.S. Army, Navy and Marine Corps. Former Bell buyers Charles Hamlin and James Karels were convicted of paying/receiving kickbacks, and Ernest Allen Rudy III, president of Allen Steel Company, Incorporated, was convicted of presenting false certifications to Bell for substandard steel. Special Agent Mary C. Stewart, Southwest FO, conducted the investigation with the U.S. Army Criminal Investigation Command and the NCIS.





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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