

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



trail showing the illegal remuneration, which totaled \$2 million. The Boston Resident Agency (RA), is conducting the investigation with the Federal Bureau of Investigation (FBI), the Department of Health and Human Services and the Department of Labor (DoL).

Income Tax Evasion

A one-count information filed in U.S. District Court, Fort Worth, TX, charged Barry Neil Dees with one count of attempting to evade Federal income taxes and Kimberly B. Dees with one count of aiding and abetting. Neil Dees is the former office manager for Hubert Gibson, M.D., an internal medicine physician. It is alleged that fraudulent medical insurance claims were originated in Gibson's practices, including the physical therapy practice, and were filed with various insurance companies and Government agencies, including the DoD financed and operated TRICARE program. Dees allegedly failed to report to the Internal Revenue Service (IRS) the income derived from these claims. The Southwest Field Office (FO), is conducting the investigation jointly with the IRS, the FBI and the Texas State Board of Insurance.

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stage renal disease in the United States. Fresenius Medical Care, headquartered in Lexington, MA, purchased NMC in July 1997. The MPD sold dialysis-related products to facilities owned by NMC (internal) and not owned by NMC (external). Lifechem, another NMC subsidiary, provided clinical laboratory blood testing services to the internal and the external dialysis facilities. The MPD handled the marketing for Lifechem laboratory services for external facilities. To gain laboratory business from external accounts, Weber and others offered and paid monies via special discounted pricing on dialysis-related products, rebates, grants and hunting trips. While the dialysis accounts paid for the MPD products out of their revenues, Government monies paid for the Lifechem services almost entirely. The illegal discount and rebate program allowed Lifechem to obtain business otherwise unobtainable. Steps also were taken to eliminate any paper

Indictments

Health Care Fraud

An indictment was returned against Kernal Glen Shaw, Morrison, CO, charging him with one count of conspiring to defraud the U.S. Government. From 1987 through 1996, Shaw, David Weber and others allegedly offered and paid remuneration to induce certain dialysis facilities to order clinical laboratory tests. At the time, Shaw was the president of Medical Products Division (MPD), a National Medical Care, Incorporated (NMC), subsidiary. The NMC, then headquartered in Waltham, MA, was the largest provider of services to patients with end

Forgery

Terry A. Boyd, Staffordville, CT, was arrested by the Connecticut State Police, with assistance from DCIS agents, and charged under Connecticut State law with forgery, criminal impersonation and criminal attempt to commit larceny. Boyd allegedly submitted a false and fictitious military discharge certificate (DD Form 214) to the Town Assessor's Office, Stafford, CT, in an attempt to obtain a property tax exemption in connection with his former military status. According to the discharge certificate, Boyd claimed to be a U.S. Marine Corps lieutenant and a recipient of the Medal of Honor. An investigation determined Boyd's claims to be false. The Hartford RA, conducted the investigation with the Connecticut State Police.

Perjury

A criminal complaint filed in U.S. District Court, Golden, CO, charged Ariel Vanrijkhoeven with one count each of felony theft, theft, and first degree perjury. During a paternity suit in the same court, Vanrijkhoeven testified under oath that she had given birth to twins and that the father is a retired U.S. Air Force officer. Based on that testimony, the Court ordered the retired Air Force officer to pay \$53,000 for medical expenses allegedly incurred by one of the twins. The Air Force officer submitted nine claims to TRICARE to cover the alleged medical ex-

penses. The TRICARE subsequently paid Vanrijkhoeven over \$68,000 for the claims. An investigation revealed Vanrijkhoeven allegedly did not give birth to twins and that her testimony regarding the medical expenses was also fraudulent. The Denver RA, is conducting the investigation with the Jefferson County District Attorney's Office.



Health Care Fraud

Rufino P. Bravo and Nicanor E. Caboteja, retired U.S. Military Service members, each pled guilty to one count of mail fraud. An investigation disclosed Bravo submitted false claims to TRICARE for medical services, including hospitalization, that were not rendered. The claims, made through a medical provider who was involved in the fraudulent scheme, totaled more than \$67,000. Caboteja used the same medical provider and submitted false claims for almost \$31,000. The Western FO, conducted the investigation.

Kickbacks

Richard Quigg, Alexandria, VA, pled guilty to filing a false income tax return. Quigg is a vice president for Diez Man-

agement Services, Incorporated (DMSI), Lake Ridge, VA. In 1992, DMSI was awarded a Federal Aviation Administration (FAA) contract known as the Flight Data Input/Output (FDIO) contract. In 1993, the contract was modified to include the design and fabrication of an adjustable tear bar to be compatible with printers used by the FAA flight controllers. An illicit agreement existed between Quigg, John Rachel and Bradley Bowen, among others, to extend and receive kickbacks to each other's companies. Rachel is president and owner of RGI, Incorporated (RGI), and Computer Software Engineering, Incorporated (CSEI), collocated in Falls Church, VA. Bowen, a former RGI employee and vice president and project manager for the DMSI, Egg Harbor, NJ, office, is also the president of AES Computers and KB Codes, collocated in Egg Harbor, NJ. During contract performance, DMSI awarded CSEI a subcontract for the tear bar portion of the FDIO contract. The CSEI and DMSI provided purchase orders, containing false information about the actual cost of the tear bars, to the FAA to support the cost of the tear bars. The CSEI then awarded a subcontract to RGI for the tear bars, which, in turn, purchased the tear bars from Technical Design Resources, Chantilly, VA, for a substantially lower price than the amounts billed to the

Government. The difference, approximately \$250,000, was split between Rachel and Bowen, among others. Rachel used his companies, as well as Bowen's, to provide Bowen his portion of the difference. Bowen then passed on a portion of the kickbacks to Quigg, which were not included as income on Quigg's tax returns. The payments by Rachel were expensed to CSEI's and RGI's overhead accounts and then billed against DoD cost type contracts. The Baltimore Post of Duty (POD), conducted the investigation with the IRS and the Department of Transportation (DoT), with audit assistance from the Defense Contract Audit Agency (DCAA).

Unlawful Compensation

Edward P. Donnelly, GS-14, Director, Southeast Regional Cooperative Administrative Support Unit (CASU), Panama City, FL, pled guilty in U.S. District Court, Norfolk, VA, to one count of unlawful receipt of compensation by an executive branch employee. In the related case, Addison A. Brown, president of Professional and Technical Services, Incorporated (PTSI), Norfolk, VA, pled guilty to unlawful supplementation of salary of an executive branch employee. Under a basic ordering agreement with PTSI, the Southeast Regional CASU issues delivery orders to PTSI to provide logistical engineering and material management services

for the U.S. Navy. Between June and August 1997, Donnelly solicited and received from Brown a leather writing portfolio, briefcase and a laptop computer to supplement his Federal salary and to compensate for his services to PTSI as a Government employee. The CASU is an initiative of the President's Council on Management Improvement and is sponsored by the General Services Administration. Each CASU has a lead Government agency that provides it with essential management, administrative and financial services. A CASU essentially acts as a broker to procure administrative and operations support services at favorable prices for the participating Government agencies that are its customers. The lead agency for the Southeast Regional CASU is the U.S. Navy. The Norfolk RA, conducted the investigation with the Naval Criminal Investigative Service (NCIS).

Bribery

Guilty pleas were entered by Frank McNamee, former manager of the Meat Department, McGuire Air Force Base (MAFB) Commissary, NJ; Gary A. Paterno, owner and operator, G & L Sales and Associates (G&L), Palm Coast, FL; and John Cifaretto, former sales representative, G&L. McNamee pled guilty to conspiring to accept bribes as a public official. Paterno and Cifaretto each pled guilty to conspiring

to bribe a public official. From August 1995 to February 1996, McNamee received bribes of approximately \$3,643 from Penn Packing Company, Incorporated, doing business as Butler Foods (Butler). In August 1995, McNamee met with the owners of Butler where it was agreed that Butler would pay McNamee a bribe of \$.03 per pound, provided he ordered at least 15,000 pounds of meat per week from Butler for the MAFB Commissary. From 1991 to 1994, Paterno and Cifaretto, doing business as G&L, a broker of chicken products for Townsends, Incorporated, paid bribes of approximately \$34,000 to Henry Gaiters, the former manager of the MAFB Commissary Meat Department. The bribes began at the demand of Gaiters, who threatened to stop purchasing chicken from G&L unless Paterno and Cifaretto paid him a bribe of \$.01 per pound for every pound of chicken G&L sold to the MAFB Commissary. In exchange, Gaiters continued to purchase chicken from G&L. The New Jersey RA, conducted the investigation with the FBI, the IRS and the Air Force Office of Special Investigations.

On The Job Injury

Albert L. Asrouch, Jr., pled guilty in U.S. District Court, Minneapolis, MN, to three counts of filing false statements. Asrouch made the false statements to the DoL Federal Employees' Compen-

sation Program, administered by the Office of Workers' Compensation Program (OWCP). Asrouch, a former employee of the Department of the Air Force, 934th Tactical Air Group, Minneapolis/St. Paul, MN, was receiving OWCP benefits as the result of a reported lower back injury sustained on or about December 30, 1985. On or about December 28, 1994, December 27, 1995, and April 9, 1997, Asrouch certified in writing that he had not been involved in any business enterprise in the 15 months prior to those dates. In fact, Asrouch had been actively involved in a snowplowing business during those time periods. The Minneapolis POD, conducted the investigation.

Bribery

Thomas K. Qualey and International Materials Solutions Corporation (IMS), both of Beavercreek, OH, each pled guilty to a two-count information charging them with conspiring to violate and with violating the Foreign Corrupt Practices Act. From December 1993 to about February 1996, Qualey, president of IMS, conspired with a Brazilian Air Force (BAF) officer stationed at Wright Patterson Air Force Base to fraudulently obtain contracts from the Government of Brazil. Qualey and IMS paid bribes totaling \$67,563 to the officer who in turn used his official position and influence with the Government of Brazil.

Specifically, Qualey, through IMS, prepared and submitted bids to the BAF officer to provide services and to sell equipment, some of which was DoD surplus equipment obtained via the Defense Reutilization and Marketing Service, to the BAF. The Government of Brazil accepted the bids and defendants Qualey and IMS performed work on the contracts, valued at \$392,250. The Dayton RA, conducted the investigation.

Sentences

Product Substitution

Charles S. Urban, president, Urban Manufacturing, Drexel Hill, PA, pled guilty to making false statements. Urban was immediately sentenced to 3 years probation, a \$3,000 fine, 200 hours of community service and a \$100 special assessment. Urban falsified certificates of compliance stating that a passivation process had been performed on critical application parts used on the Bradley Fighting Vehicle. The Bradley is a fully tracked, lightly armored U.S. military combat vehicle, which serves as a "battle taxi" and is designed to transport troops to critical battlefield locations. When using a water barrier or inflatable pontoon system, the Bradley is amphibious. Urban falsified that the passivation process had been performed on a plug component used on the Bradley's water barrier system. The Northeast FO, conducted the in-

vestigation.

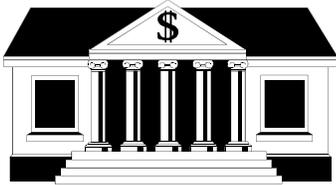
Health Care Fraud

Mark Joseph Luciano was sentenced in U.S. District Court, San Diego, CA, to 3 years supervised probation, a \$1,000 fine and was ordered to pay restitution of \$13,319 for making a false claim. Luciano was a provider for the TRICARE Management Activity (TMA), formerly known as the Civilian Health and Medical Program of the Uniformed Services. Luciano, a psychologist and owner of Mission Valley Counseling Associates, San Diego, CA, billed TMA and private insurance companies for numerous psychotherapy sessions that did not occur. The San Diego RA, conducted the investigation jointly with the FBI.

Theft of Funds

John Vasper, former director of the Armed Services Young Men's Christian Association (ASYMCA), Honolulu, HI, was sentenced to 27 months confinement, 3 years probation, ordered to pay \$128,286 in restitution and a \$100 special assessment fee. Vasper had previously pled guilty to theft from a federally funded program. An investigation determined Vasper created false receipts in order to be personally reimbursed for the purchase of books and postage on DoD contracts being administered by the ASYMCA. From 1987 to 1997, Vasper received over \$750,000 in reimbursements. A review of the contracts determined that the requirement

for the purchase of books and postage was either nonexistent or minimal at best. The Hawaii POD, conducted the investigation with the FBI, the NCIS and the U.S. Postal Inspection Service.



Bank Fraud

Jorge Torres, Plantation, FL, was sentenced to 12 months incarceration (6 months in a halfway house), 5 years supervised release, a \$5,000 fine and a \$100 special assessment. Torres previously pled guilty to one count of bank fraud. Torres attempted to negotiate a stolen U.S. Treasury check that had been issued by the Defense Finance and Accounting Service to a DoD contractor in the Philadelphia area. The check was valued at \$66,021.94. An investigation determined Torres used false identification and fictitious business documents to open accounts at a local Philadelphia bank. Torres, after depositing the check, later returned and used a false identity in an attempt to withdraw funds from the newly opened account. Torres was later identified through video surveillance and fingerprint analysis, leading to positive identification by witnesses. The Northeast FO, conducted the investigation.

Gratuities

William F. Martin, GS-15, ship operations and maintenance officer, DoT, Maritime Administration (MARAD), South Atlantic Region (SAR), Norfolk, VA, was sentenced to 180 days home detention, 36 months of supervised probation, ordered to pay \$11,360 in restitution and a \$100 special assessment. Martin previously pled guilty to soliciting and receiving a gratuity. A fictitious ship management and repair company, Coastal Marine Engineering Group (Coastal Marine), was set up as part of a national undercover initiative into allegations of fraud and payments of kickbacks and bribes in the maritime industry. Coastal Marine openly sought award of Government contracts for the management and repair of MARAD and other Government-owned vessels. Martin oversaw the maintenance and operation of MARAD vessels in the SAR. He maintained contact with private ship management and repair companies in order to assure access of those companies to the MARAD bid process. From October 1996 to March 1997, Martin met with undercover agents and solicited payments totaling \$11,360 for "consulting services." Although Martin was not directly responsible for awarding contracts to ship management and repair companies, he advised that he could use his influence to steer the award

of MARAD contracts to Coastal Marine. The Norfolk RA, and the Fort Lauderdale POD, conducted the investigation with the FBI, the NCIS and the DoT.

Product Substitution

Stuart M. Kreiner, Nidisco Incorporated (Nidisco), and KPS Electronics Sales, Incorporated (KPS), all located in Lodi, NJ, were sentenced in U.S. District Court, Columbus, OH, for conspiring to commit mail fraud. Kreiner was sentenced to 6 months home confinement and 3 years probation. Nidisco and KPS were each sentenced to 3 years probation. All three defendants were jointly and severally ordered to pay restitution of \$34,000. From 1986 through 1993, Nidisco, KPS and Kreiner conspired with each other and others to fraudulently obtain money through the U.S. mail for the sale of component electrical parts to the DoD on multiple purchase orders for use on multiple DoD weapon systems. An investigation determined the component electrical parts did not meet specification since they were not considered Original Equipment Manufactured parts, they were substandard, or they were surplus parts not manufactured within the specified previous 5 years. Nidisco, KPS and Kreiner obtained DoD contracts and subcontracts, purchased surplus component electrical parts that did not meet specification, obliterated manufac-

turer markings, falsely labeled and packaged the surplus parts to appear to meet required specifications, and then received payment for these surplus parts through the U.S. mail. The Dayton RA, conducted the investigation with the FBI.

Civil Settlements

Cost Mischarging

An administrative settlement was reached between the Calspan Corporation (Calspan) and the DoD. The settlement terms require Calspan to provide \$400,000 in credit on DoD contracts. Calspan has numerous research and development contracts with the DoD. Calspan University of Buffalo Research Center (CUBRC), a nonprofit organization, also has numerous DoD and commercial contracts. Information was received that Calspan was not properly allocating costs associated with CUBRC contracts, in that some of the costs were reported in Calspan overhead accounts. This resulted in the DoD paying a higher overhead rate than necessary on contracts with Calspan. Calspan acknowledged in the administrative settlement, the Government's belief that Calspan was in noncompliance with several Cost Accounting Standards. The Syracuse RA, conducted the investigation with audit assistance from the DCAA.

Illegal Commissions

Electric Eel Manufacturing

Company, Incorporated (Electric Eel), Springfield, OH, and Mark A. Speranza, Electric Eel marketing director, entered into a settlement agreement with the U.S. Government. The agreement calls for Electric Eel to pay the Government \$80,000. This will settle allegations Electric Eel failed to truthfully report expenditures for commissions and other payments in obtaining contracts underwritten by the U.S. Government. The Government, in turn, agreed not to initiate any civil court action, claim, suit or administrative monetary action against Electric Eel. In 1992, the Alexandria, Egypt, General Organization for Sanitary Drainage (AGOSD) issued an Invitation for Bid that included the procurement of pipeline cleaning machines. The procurement was funded with U.S. Government monies. Speranza responded with a bid, on behalf of Electric Eel, which eventually was awarded the contract. As a result of the award, Speranza submitted U.S. Agency for International Development (AID) Form 282, which certified Electric Eel had not paid, nor will pay, any commissions in connection with the award. The investigation determined Electric Eel paid an Egyptian agent a 27 percent commission in connection with the U.S. Government funded AGOSD contract. The Dayton RA, conducted the investigation with the AID.

Environmental Crimes

Domestic Industries of Virginia, Incorporated (Domestic VA), and John C. Santoro, Jr., president, Domestic VA, were ordered to pay \$309,000, plus interest, over a 3-year period to settle violations of the False Claims Act and the Resource Conservation and Recovery Act (RCRA). The total amount, with interest paid, will be \$331,411. Between August 1990 and July 1992, the defendants submitted false claims in conjunction with supplying No. 5 burner oil to the Naval Weapons Station, Yorktown, VA, under Defense Fuel Supply Center awarded contracts. Santoro and Domestic VA also violated the Environmental Protection Agency regulations under the RCRA by operating a storage tank as a hazardous waste storage facility without a permit. More than 213 false claims were submitted for payment relating to the delivery of burner oil products that did not meet specifications of the contracts. The defendants obtained quantities of used and waste oil, supplied at 50 to 70 percent below market prices, and substituted it for burner oil products specified in the contracts. The documentation accompanying the deliveries misrepresented the quality and quantities of burner oil. The Norfolk RA, conducted the investigation with the NCIS and with audit assistance from the DCAA.



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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