

# Crime Awareness Newsletter

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**Department of Defense  
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## Indictments

### Healthcare Fraud

An indictment was returned against Dr. Henry J. Petrillo, Spring Hill, FL, charging him with conspiring to defraud the TRICARE and Medicare health care programs by receiving kickback payments. Petrillo allegedly conspired with Frank Lopez, president of Somed Company, Clearwater, FL, to receive payments for patient referrals. Lopez has already pled guilty to conspiring to make kickback payments for patient referrals from various physicians, including patients covered by the TRICARE program, formerly the Civilian Health and Medical Program

of the Uniformed Services (CHAMPUS). The Orlando Resident Agency (RA) is conducting the investigation with the U.S. Postal Inspection Service (USPIS), the Department of Health and Human Services (HHS) and the Internal Revenue Service (IRS).



### Kickbacks

A two-count indictment was returned against George Elkins, president of Sigma Metals, Incorporated (Sigma), Deer Park, NY, charging him with conspiracy and making kickback payments. An investigation disclosed that Elkins allegedly conspired with Gino Garilli, former purchasing manager for Kaman Aerospace Corporation (Kaman), Bloomfield, CT, to make kickback payments in return for

bidding and pricing information. Sigma provides raw materials, such as aluminum and titanium, to Department of Defense (DoD) prime contractors, including Kaman. Since 1994, Elkins has allegedly made cash payments of \$15,000 to Garilli in return for bidding and pricing information. The New York RA is conducting the investigation jointly with the IRS.

### Tax Fraud

An indictment was returned against Dr. Arjang Kamjani Miremadi charging him on eight counts of filing a false tax return. An investigation disclosed Miremadi, owner of Miremadi Dermatology Medical Clinic, Inc. (MDMC), La Jolla, CA, allegedly filed fraudulent personal and corporate Federal tax returns for tax years 1992 through 1995. Miremadi allegedly concealed MDMC gross receipts by failing to report daily cash receipts and disguised checks payable to him from the corporate cosmetic account as reimbursements for corporate expenses. He also allegedly diverted numerous patient and credit card payment checks to his personal accounts. The estimated tax loss is \$202,046.32. The San Diego RA is conducting the investigation with the IRS.

## Healthcare Fraud

A 17-count superseding indictment was returned against Eileen B. Aird, Wellesley, MA, and Louise Verde, Fishkill, NY, charging them with conspiracy to defraud the United States and mail fraud. Aird, Verde and others allegedly submitted claims to Medicare and TRICARE for medically unnecessary laboratory blood tests for patients suffering from end stage renal disease. From 1991 through 1997, Aird was general manager and later president of Lifechem, Incorporated, a subsidiary of National Medical Care, Incorporated (NMC), and an independent clinical blood laboratory in Rockleigh, NJ. From 1991 through 1993, Verde was product manager for Lifechem in the Medical Products Division of NMC. In late 1993, Verde's position as product manager was moved into Lifechem. The NMC, then headquartered in Waltham, MA, was the largest provider of services to patients with end stage renal disease in the United States. Fresenius Medical Care, headquartered in Lexington, MA, purchased NMC and its subsidiaries in October 1996. Aird and Verde allegedly participated in a conspiracy that included manipulating physicians into unknowingly ordering unnecessary blood tests on their dialysis patients, including, as one example, certain hepatitis tests. Aird, Verde and others allegedly

decided to combine a Hepatitis C test together with other tests on a panel of laboratory tests, without giving physicians a choice to obtain the panel without the added tests, thereby causing medically unnecessary Hepatitis C tests on dialysis patients. In the original indictment, the conspiracy included offering and paying kickbacks and rebates to induce the referral of laboratory services. The kickbacks included rebates on dialysis-related products, consultant fees, lavish trips and parties. The Boston RA is conducting the investigation with the Federal Bureau of Investigation (FBI) and the HHS.



## Healthcare Fraud

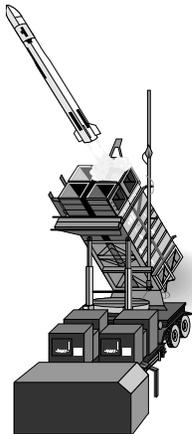
A 25-count indictment was returned against Stephen Scott McLemore for allegedly filing false claims with the Government. McLemore, doing business as Southern Pharmaceutical Consultant and Southern Pharmaceutical Corporation, a durable medical equipment supplier in Columbus, MS, was allegedly involved in billing TRICARE and Medicare for medication and equipment provided to the patient that the patient did

not need or was not entitled to receive. The scheme also allegedly involved soliciting and providing inducement in the form of fees and other benefits to physicians, respiratory therapists and other durable medical equipment (DME) suppliers in exchange for patient and customer referrals. McLemore billed TRICARE over \$50,000 for services to TRICARE patients. The Nashville Post of Duty (POD) is conducting the investigation with the FBI, the IRS and the HHS.

## Worker's Compensation

A complaint was filed against Shirley A. Emerson, Rome, NY, charging her with allegedly providing a false statement to an agency of the U.S. Government. An investigation disclosed that Emerson has been receiving worker's compensation benefits from the U.S. Department of Labor (DOL) as the result of a back injury she sustained while employed by the DoD at Fort Drum, NY. While receiving worker's compensation benefits, Emerson was required to report to DOL any employment in which she received a salary, wages, commissions and/or other payments. Emerson allegedly submitted a false statement to the DOL in which she claimed she was not employed. At the time, she supposedly worked as a machine operator at Harding Manufacturing Corporation, Rome, NY, and as an independent

contractor for the Rome Sentinel Company, Rome, NY, and Utica Observer-Dispatch, Utica, NY. The Syracuse RA is conducting the investigation with the DOL.



### **Export Violations**

A two-count information was filed against Orbit/Flam and Russell, Incorporated (Orbit/FR), Horsham, PA, charging the company with violating the Arms Export Control Act. From about September 1997 to about May 1998, Orbit/FR allegedly exported defense articles and services to the People's Republic of China. Orbit/FR sold sophisticated military equipment, referred to as the AL-8098 and AL-8099, to China's Ministry of Aerospace for use in their missile development program. The equipment and software was originally developed for the Israeli Defense Forces and designed to measure the effectiveness of antennas placed in the radomes of missiles. The company was also charged with providing technical expertise to improve the accuracy of a Chinese sur-

face-to-air missile system similar to the Patriot missile system. The Northeast Field Office (FO) conducted the investigation jointly with the U. S. Customs Service.

### **Bankruptcy Fraud**

Jeff Salmon, owner of Sundance Trucking Transporter, was arrested by agents of the DCIS, the FBI, and the U.S. Department of Transportation (DOT) OIG. Salmon, currently on federal probation for mail fraud, was arrested for allegedly conspiring to commit mail fraud, wire fraud and bankruptcy fraud. Salmon was also allegedly involved in the theft of over \$1 million worth of DoD property. Sundance was contracted to transport DoD property from various installations around the United States to the Port of Wilmington, NC. The Chapel Hill RA is conducting the investigation with the FBI, the DOT, the North Carolina Division of Motor Vehicles Enforcement Section and the USPIS.

### **Healthcare Fraud**

An information was filed against Central Ambulance Service (CAS), Coraopolis, PA; Anthony J. Sanvito, president of CAS; and Margaret M. Sanvito, his wife and director of billing for CAS. The company was charged with one count of conspiracy to defraud the Government and one count of health care fraud. The Sanvitos were each charged with one count

of conspiracy to defraud the Government. On this same date, CAS and the Sanvitos pled guilty. Pursuant to their plea agreements, CAS and the Sanvitos also consented to civil forfeiture that included all CAS corporate assets and certain real estate. From 1995 until 1997, CAS and the Sanvitos knowingly submitted false and fraudulent claims for ambulance transport to the CHAMPUS, Medicare and Medicaid programs. The claims represented the transported patients were either bed-ridden or bed-confined, when, in fact, they were not. The Sanvitos also instructed CAS paramedics and emergency medical technicians to omit certain words from their ambulance transport records. These words accurately described the patient's physical condition at the time of transport. The Pittsburgh POD conducted the investigation jointly with the FBI and the Medicaid Fraud Control Section of the Office of the Attorney General, Commonwealth of Pennsylvania.

### **Product Substitution**

The following guilty pleas were entered in the Isratex, Incorporated (Isratex), et al., investigation: Isratex and Abe Brin and Zvi Rosenthal, Isratex president and production manager, respectively, pled guilty to one count of making false statements; Larry Sailer, plant manager of the Isratex West Virginia (Isratex-WV) facility, pled

guilty to three counts of making a false certificate or writing; William Osborne, Isratex-WV quality manager, pled guilty to one count of making a false certificate or writing; Isratex of Puerto Rico, Incorporated, pled guilty to making false statements; Timothy G. Lafferty, president of Isratex subsidiary Marywell, Limited, pled guilty to obstruction of justice by willfully and knowingly failing to comply with a grand jury subpoena issued in the District of Puerto Rico; Bradford Dyeing Association, Incorporated, Westerly, RI, a textile finisher that supplied cloth to Isratex and other Isratex subsidiaries, pled guilty to obstructing an investigation by a Federal grand jury by destroying and causing to be destroyed documents commanded to be produced in response to a grand jury subpoena. Yehudah Yoav Brin, Isratex vice president, is currently a fugitive. The defendants participated in a scheme that included conspiracy, false claims, wire fraud, and major fraud against the United States with respect to the manufacture of various types of military uniforms and other types of military apparel. The five contracts affected were awarded to Isratex by the Defense Supply Center, Philadelphia (formerly known as the Defense Personnel Support Center). The New York RA conducted the investigations with the Bureau of Alcohol, Tobacco and Firearms (BATF) and with audit

assistance from the Defense Contract Audit Agency (DCAA).



### **Theft**

Roy R. Crussell pled guilty to concealing and retaining wrongfully converted Government property. Crussell is the former shop supervisor for the Area Maintenance Support Activity (AMSA), U.S. Army Reserve, Kingsport, TN. An investigation into thefts of Government property from the Defense Reutilization and Marketing Office at Fort Jackson, SC, determined Crussell had stolen and converted to his own personal use assorted military equipment. The equipment, which was valued in excess of \$1,000, included vehicle parts and tools. The AMSA shop maintains tactical military vehicles in Kingsport, Johnson City, and Greenville, TN. The facilities at Fort Jackson also provide maintenance support for the military vehicles or their component parts. The Southeast FO conducted the investigation jointly with the U.S. Army Criminal Investigation Command (USACIDC) and the FBI.

### **Theft**

Joseph R. Croce, Jr., Cranston, RI, pled guilty to converting to his own use and selling property obtained from the Defense Personal Property Utilization and Disposal Program. Croce, a civilian employee of the Rhode Island Wing of the Civil Air Patrol (RI-CAP), who held the position of RI-CAP Wing Vice Commander, intentionally misappropriated property valued at about \$38,000 intended for the use of the RI-CAP. The Civil Air Patrol is a nonprofit volunteer civilian auxiliary of the U.S. Air Force and is eligible to receive DoD excess property under the Defense disposal program. The Boston RA conducted the investigation with the General Services Administration (GSA).

### **Kickbacks**

John W. Knight, president of AALL American Fasteners, Incorporated (AALL), pled guilty on behalf of himself and AALL to violating the Anti-kickback Act. The AALL operated as a parts supply and distribution business selling hardware items under subcontract to Lockheed Martin Services (Lockheed), Cape Canaveral, FL, a prime contractor with the National Aeronautics and Space Administration (NASA) and the DoD. Lockheed manufactures radar support equipment, radar system spare hardware for the DoD, and shuttle work stands/hardware and shuttle

ground equipment for NASA. Knight, paid kickbacks to a Lockheed procurement supervisor who had the authority to solicit bid information from companies and to award Lockheed purchase orders and/or subcontracts. In exchange for the kickbacks, AALL received sensitive bid information and continued to receive business from Lockheed. The Orlando RA conducted the investigation with the FBI, the NASA OIG and the AFOSI.

### **Kickback**

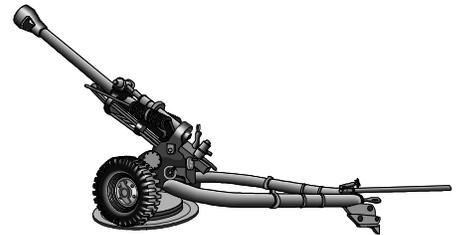
Henry J. Mathieu, Jr., East Taunton, MA, and James Anderson III, Rehoboth, MA, each pled guilty to one count of violating the Anti-kickback Act. In addition, Mathieu pled guilty to one count of conspiracy. Mathieu is the owner and president of Synertron Associates, Incorporated (Synertron), Middleboro, MA. Synertron manufactures and sells electro-mechanical components to Defense contractors that include Raytheon Company and firms in the computer and medical industries. Mathieu also owned and controlled Tri-Co Realty Trust (Tri-Co) and FSW, which were unincorporated businesses used for conducting various business transactions. From about January 1990 to about May 1997, Mathieu and others paid kickbacks in return for favorable consideration in the award of contracts. Mathieu disguised payments to Tri-Co and FSW

to receive cash to make the payments and to claim some or all of the kickbacks as business deductions on Synertron's tax returns. He also deducted personal expenses on his corporate tax returns. The cash kickbacks were paid to Anderson, a manager of subcontract administration at Raytheon, who had worked in Portsmouth, RI, and Andover, MA, and also to an employee of LTX Corporation in Westwood, MA. Raytheon, a prime contractor for the U.S. Navy, purchased supplies, materials, and equipment from Synertron in connection with a Navy contract. Since about 1993, Anderson, in addition to cash kickbacks, has accepted gifts from Mathieu that include gift certificates for restaurants, raw materials for use in a personal business venture, free use of a vacation condominium in Florida, and free use of a boat. The Boston RA conducted the investigation with the FBI and the IRS.

### **Theft**

John Dee Douglas, Jr., pled guilty in U.S. District Court, San Diego, CA, to theft of public money, property or records. An investigation disclosed that Douglas, a former Federal Government employee for the Defense Mega Center, Naval Air Station North Island, Coronado, CA, submitted fraudulent requests and received payment for training he never attended. Douglas was reimbursed with

U.S. Treasury checks issued in his name for unauthorized specialized computer training. The checks were cashed and used for Douglas' personal enrichment. The San Diego RA conducted the investigation.



### **Cost Mischarging**

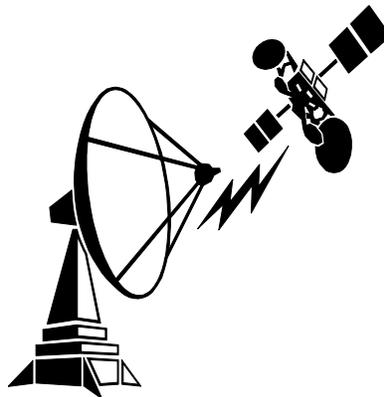
Unixpros, Incorporated, Eastontown, NJ, pled guilty to committing major fraud against the Government by defrauding the DoD in excess of \$1.1 million on five contracts with the U.S. Army Communications and Electronics Command (CECOM), Ft. Monmouth, NJ. Unixpros was the subcontractor on 14 subcontracts with CECOM prime contractors Telos, Computer Science Corporation, TRW, and others. The total value of the Unixpros contracts exceeded \$1 million. The prime contractors were not complicit in the fraud and cooperated fully with the investigation. Unixpros provided computer consulting and software to CECOM for use in command and control functions and for field artillery. From March 1993 to January 1996, the company inflated and falsified labor hours spent on time and materials contracts. Unixpros

also falsified its internal records to conceal its fraudulent activities from DoD auditors and to make its records appear to be consistent with the false invoices submitted to the prime contractors. In all, Unixpros was paid in excess of \$5 million for its services. In addition to the guilty plea, Unixpros has agreed to pay the Government \$2,272,460 to settle civil claims arising from its conduct. The New Jersey RA conducted the investigation with the USACIDC.

### **Healthcare Fraud**

Deborah Collins Jones pled guilty to witness tampering. From 1992 to 1995, Jones was a licensed physical therapist, practicing in South Carolina, doing business as Indigo Rehabilitation Center (Indigo), a South Carolina corporation in which Jones was the sole shareholder. An investigation determined that Jones, individually and through Indigo, submitted, or caused to be submitted, false claims for payment to the TRICARE, Medicare and Medicaid Programs. Jones employed and directed unlicensed aides to administer physical therapy treatments such as massage, electric stimulation and ultrasound to patients without the required supervision by licensed personnel. The claims submitted for these therapies falsely increased the number of units and therapies provided. The Southeast FO conducted the

investigation jointly with the FBI and the HHS.



### **Cost Mischarging**

Billy E. Sheffield, president of Met-Con, Incorporated, Cocoa, FL, pled guilty on his behalf and Met-Con to filing a false claim against the Government. Met-Con operated as a metal fabrication business doing work under subcontract to Lockheed, Cape Canaveral, FL, a prime contractor with the DoD and NASA. Lockheed manufactures radar support equipment, radar system spare hardware for the DoD, as well as shuttle work stands/hardware and shuttle ground equipment for NASA. Sheffield aided a Lockheed procurement supervisor with inflating costs incurred on a Met-Con contract termination claim. The inflated costs amounted to \$16,518.90 and were subsequently paid to the Lockheed supervisor. Special Agent Russell Britton, Orlando RA, conducted the investigation with the FBI, the NASA OIG and the AFOSI.

### **Healthcare Fraud**

Sorojuni Rawana, New Haven, CT, and Vivekanand Rawana, former owner of Clinical Diagnostics, Incorporated (CDI), North Haven, CT, pled guilty as follows: Sorojuni Rawana to theft or embezzlement in connection with health care; Vivekanand Rawana to aiding and abetting theft or embezzlement in connection with health care. Sorojuni Rawana embezzled \$51,816.73 in Medicare checks made payable to her former employer, Dr. Steven Castracane, and converted them to her own use, primarily by depositing the checks into the account of her ex-husband, co-defendant Vivekanand Rawana who endorsed the checks prior to deposit. Sorojuni Rawana also diverted approximately \$15,703 in cash receipts from Dr. Castracane. In February 1998, Vivekanand Rawana also pled guilty to mail fraud and subscribing to a false income tax return for calendar year 1996. The CDI provided blood analysis for medical clinics and then billed private insurance companies, Medicare, Medicaid and TRICARE for the services. This investigation is the result of Operation Overdraw, a 3-year undercover operation that established a medical business. Overdraw 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. The Hartford RA conducted the investigation with the FBI, the IRS, the US-PIS and the HHS in conjunction with the Connecticut Health Care Task Force.

### **Progress Payment Fraud**

George Varrato, Sr., president, Mil-Spec Manufacturing Company, Incorporated (Mil-Spec), Clearwater, FL; Kenneth Varrato, Sr., vice president; Julie Brewer Varrato, his wife; and George Varrato II, quality assurance manager, each pled guilty to one count of misprision of a felony. Mil-Spec manufactured M20 Simplified Collective Protective Equipment (SCPE) under three U.S. Army contracts totaling over \$13 million. The M20 SCPE portable shelters were designed for deployment in the field to provide a safe environment for American forces during a chemical or biological attack. The charges stem from a scheme by the defendants to submit fraudulent progress payment requests to the Army relating to the three SPCE contracts and then conceal the fraud from the DoD. The Orlando RA conducted the investigation with the IRS and the USACIDC.

### **Kickbacks**

Donald L. Allender, former vice president of Bay Ship Management, Incorporated (BSM), Englewood Cliffs, NJ, pled guilty to violations of the

Anti-kickback Act and Major Fraud Statute. As a result of a 3½-year undercover investigation into fraud and corruption within the maritime industry, charges were filed against Allender in Boston, MA; Houston, TX; Jacksonville, FL; and New Orleans, LA. Allender was responsible for the oversight of several military ships managed by BSM for the U.S. Navy. The BSM had multiple contracts, valued in excess of \$200 million, with the U.S. Navy's Military Sealift Command (MSC) to provide management, personnel, operational and technical support to operate and maintain several MSC ships. The primary mission of the MSC is to provide sea transportation of equipment, supplies and ammunition to sustain the United States military forces during peacetime and war. Substantial corroborative information was developed that indicated Allender steered subcontracts to favored vendors in return for kickbacks. The New Orleans RA conducted the investigation with the FBI and the Naval Criminal Investigative Service (NCIS).

## **Sentences**

### **Healthcare Fraud**

Wendy Ann Hardenbrook was sentenced in U.S. District Court, Charleston, SC, to 6 months home detention, followed by 2 years probation, and ordered to pay a \$50 special assessment fee.

Hardenbrook previously pled guilty to conspiracy. Hardenbrook was an office manager for Jerry Rodney Rogers. Rogers sold DME to the public via telemarketing under the business names Independence Medical, Independent Medical of America and I.M. A., Inc. An investigation determined Rogers predominantly sold three-wheeled scooters. Rogers then billed Government and private health care programs such as CHAMPUS, the Government Employee Hospital Association, the Mail Handlers' Benefit Plan, and the DOL IG for motorized wheelchairs. Scooters do not constitute an allowable expense under many programs and if covered, scooters are reimbursed at a significantly lower rate than a motorized wheelchair. Hardenbrook subsequently opened her own DME business, Living Well Medical, using the same or similar deceptive methods as those of her previous employer. The Nashville POD conducted the investigation with the FBI and the DOL.

### **Explosives**

Aaron Jeffreys, Fort Walton Beach, FL, was sentenced to 24 months in prison, 36 months supervised release, and was ordered to pay a \$100 special assessment. An investigation disclosed that Jeffreys and Andre Morse had traveled to Palm Beach County from Fort Walton Beach, FL, to trade C-4 ex-

plosives for narcotics. Through an anonymous call to the BATF, Jeffreys and Morse were located and arrested. The C-4 plastic explosives, military detonation cord and blasting caps were discovered in their possession and seized. It was determined that the explosives were obtained from a shed behind Jeffreys' deceased father-in-law's home. Morse was sentenced earlier for his part in the scheme. The Fort Lauderdale POD conducted the investigation with the BATF.



### **Hazardous Waste**

James M. Hong, former president and owner of the Avion Environmental Group, Incorporated (Avion), Richmond, VA, was sentenced to 36 months imprisonment, one year supervised release, ordered to pay a \$1.3 million fine and \$325 in special assessment fees. Hong was convicted of violating the Federal Clean Water Act by negligently causing the discharge of untreated wastewater from Avion's facility into the Richmond wastewater treatment system. Avion had contracts and subcontracts with the Military Services and the Defense Logistics Agency to

clean fuel tanks and to remove petroleum-contaminated water as well as other hazardous wastes, including poly-chlorinated biphenyls (PCBs). Petroleum contaminated water was taken to the Avion facility in Richmond for recycling and the remaining water cleaned up and discharged in accordance with a City of Richmond wastewater discharge permit. As required by its various DoD contracts, Avion certified that all waste material was disposed of in accordance with the Federal and state environmental laws and regulations. Hong controlled Avion's finances and failed to provide adequate funding for Avion's filtration and treatment system. In addition, Hong took no action to prevent the discharge of untreated wastewater into the Richmond wastewater treatment system and pressured Avion employees to process more wastewater with a non-functioning filtration system. The Richmond POD conducted the investigation with the Environmental Protection Agency and the FBI, in addition to technical assistance from the Virginia Department of Environmental Quality.

### **Bribes**

Thomas Qualey, president of International Materials Solutions (IMS), Beavercreek, OH, and IMS were sentenced for conspiring to violate and for violating the Foreign Corrupt Practices Act. Qualey

was sentenced to 4 months home confinement, 3 years probation and a \$5,000 fine; IMS was fined \$1,000 and ordered to pay a \$400 assessment fee. An investigation determined that Qualey, IMS, Jack Mattachione (a former U.S. Air Force civilian employee), Control System Specialist (CSS) and Darrold Crites, president of CSS, participated in a scheme to defraud the U.S. Government, the DoD and the Brazilian Aeronautical Commission of Brazil. The scheme included inflated charges and the payment of gratuities and bribes to Mattachione and a Brazilian Air Force officer formerly stationed at Wright-Patterson AFB. The IMS commercially purchased used forklifts, repaired the forklifts and then sold them to the Brazilian Aeronautical Commission. Qualey, IMS and the Brazilian Air Force officer, then conspired to inflate the costs contained in the IMS invoices submitted to Brazil. The extra money generated was then used to pay the Brazilian Air Force officer in order to induce, secure and maintain business from the Brazilian Government. The Dayton RA conducted the investigation.

### **Theft**

John E. Widdig, former Chief of Police of Manchester, OH, was sentenced to 2 years of probation, two \$50 special assessments (one for each count) and ordered to pay \$2,500 in restitution.

Widdig previously pled guilty to one count each of theft and making false statements. An investigation determined that Widdig converted to his own use funds that were obtained by his sale of a 5-ton cargo truck procured for the use of the Manchester, OH, Police Department through the Defense Reutilization and Marketing Service (DRMS). It was further determined that Widdig misrepresented certain information on an application for funds through the Community Oriented Policing Service Office-Funding Accelerated for Small Towns [COPS FAST] program, a program administered by the Department of Justice. Those misrepresentations resulted in the receipt of more funds by the City of Manchester, OH, than it was eligible to receive. The Dayton RA conducted the investigation with the FBI and the BATF.

### **Theft**

Norman Tarbell, a former chief of the St. Regis Mohawk Tribe, was fined \$2,000 and a \$100 special assessment for aiding and abetting the theft of surplus Government property. Government property was obtained for the Tribe from the DRMS for use in public works projects. Individuals subsequently sold the property for personal gain. The Syracuse RA conducted the investigation with the FBI, the IRS, the BATF, the New York State Police and the Department of the Interior.

### **Healthcare Fraud**

Arthur Enos and Enos Ambulance Service, Incorporated, Burlington, MA, were sentenced for mail fraud and filing false claims with the Government. Enos was sentenced to a year and a day incarceration, followed by 2 years supervised release, fined \$10,000, ordered to make restitution of \$204,091.06 and pay a special assessment of \$250. Enos Ambulance Service was fined \$4,300 and ordered to pay a special assessment of \$1,200. Under Enos' direction, the company falsely inflated mileage charges on ambulance service provided and billed to the Medicare and DoD TRICARE programs. The Government was overbilled \$188,000. The Boston RA conducted the investigation with the FBI and the HHS.

### **Healthcare Fraud**

Pamela Sue Butterfield pled guilty to two counts of acquisition or attempt to acquire controlled substances by misrepresentation, and two counts of forgery. Butterfield was immediately placed on 5 years probation. From 1995 through 1997, Butterfield stole medical records and patient information from several hospitals in the Albuquerque, NM, area while in their employ. Butterfield also stole medical records while acting as a patient at area hospitals. Using stolen information, she assumed the identity of civil-

ian and military dependents and obtained medical treatment and prescription drugs. Butterfield also faces restitution of \$12,490 to the DoD TRICARE program and area hospitals. The Albuquerque POD conducted the investigation.

### **False Statements**

Sharp Construction, Ocean, NJ, Alfred "Buddy" Canale and Bommegowda Lokash were sentenced as follows: Sharp Construction - a \$20,000 fine, restitution of \$139,000, 3 years probation and a \$100 special assessment fee; Canale - 6 months house arrest, 2 months in a halfway house, 3 years probation, a \$2,000 fine and a \$100 special assessment fee; Lokash - 6 months house arrest, 3 years probation, a \$2,000 fine and a \$25 special assessment fee. While performing renovations on a Department of Veterans Affairs (VA) contract and a maintenance and repair Department of the Army contract, Sharp Construction violated the Davis-Bacon Act. This Act requires that all Federal Government contractors and subcontractors for construction, alteration, and repair of public buildings be paid the prevailing wage as determined by the DOL. Sharp Construction and its subcontractors were required to sign a statement of compliance on payrolls to that effect. From December 1992 to October 1994, Sharp Construction and Canale sub-

mitted false and fictitious certified payrolls to the DOL, the DoD and the VA. The New Jersey RA conducted the investigation with the USACIDC, the DOL and the VA.

### **Extortion**

Dennis Seiler, Dana Point, CA, was sentenced to 8 months incarceration, 3 years supervised release and ordered to pay a \$100 special assessment. Seiler previously pled guilty to one count of extortion. Seiler was a former nondestructive testing (NDT) engineer for Votaw Precision Technologies (Votaw), Santa Fe Springs, CA. In late 1998, Seiler contacted the DCIS claiming to have documentation relative to improper NDT inspections by Votaw regarding the U.S. Air Force Titan Launch Vehicle. Seiler met with DCIS agents claiming to have three boxes of documents to support his allegations. Seiler then contacted Votaw officials and claimed to be working with the DCIS on an investigation regarding the improper NDT inspections by Votaw on the Titan Launch Vehicle. Seiler told Votaw management he was capable of "derailing the investigation" and would do so if Votaw paid him 6-months salary (\$28,000). He further agreed to provide the three boxes of documents to Votaw in exchange for the money. On December 14, 1998, a DCIS agent, posing as a Votaw em-

ployee, met with Seiler to receive the alleged documents in exchange for the \$28,000. The exchange was made and Seiler was arrested. The Western FO conducted the investigation.

### **False Identification**

Lorenza Donnell II was sentenced to 3 years probation and ordered to pay a \$3,500 fine and a \$25 special assessment fee. Additionally, Donnell was ordered to abstain from drugs and alcohol, undergo a substance abuse program, and complete 50 hours of community service each year for three years. Donnell previously pled guilty to the unlawful possession of a fraudulent U.S. Army identification (I.D.) card. In May 1998, agents of the North Carolina Alcohol Law Enforcement apprehended Donnell for possession of a counterfeit U.S. Army I.D. card and referred the investigation to the DCIS. Donnell subsequently confessed to purchasing the counterfeit I.D. card from another individual who made the I.D. on a personal computer. That individual has been federally prosecuted. The Chapel Hill RA conducted the investigation.

### **Product Substitution**

Air-Pro, Incorporated, Miami, FL, was sentenced to 3 years probation, a \$200,000 fine and a \$125 special assessment fee. In addition, John Wilson, Air-Pro vice president, was sentenced to

18 months probation, a \$2,000 fine, 100 hours of community service and a \$100 special assessment fee. Between 1995 and 1998, Air-Pro sold substandard aircraft parts to the Defense Logistics Agency, the DoD and commercial airline companies. Air-Pro management allowed the sale of hundreds of hose assemblies to military and civilian companies that had cure dates changed to reflect newer dates; falsely certified oxygen hose assemblies were cleaned per military and industry specifications when they were not; and provided inferior protective sleeves on other hose assemblies. The hose assemblies were used in aircraft landing gears, oxygen systems and hydraulic systems. As a condition of probation, the company is required to conduct audits and provide quarterly reports to the Government regarding compliance with the company's Ethics and Quality Assurance Programs. In addition, the company has contacted customers that purchased about 1,900 substandard aircraft parts and offered to replace aircraft parts worth approximately \$138,000. The Fort Lauderdale POD conducted the investigation with the DOT.

### **Theft**

William L. Daniels, owner of A & J Engine Service (A&J) was sentenced in Beaumont, TX, to 1 year probation and ordered to pay \$3,600 in res-

titution, a \$250 fine and a \$25 special assessment fee for theft of Government funds in connection with a DoD contract. An investigation disclosed Daniels provided things of value to a Government official for personal benefit. Warren Hilton, a marine surveyor for the U.S. Maritime Administration, requested that Daniels pay for equipment used by Hilton in connection with Hilton's involvement in a Beaumont area Little League. The costs of the items were subsequently charged to a Government contract through the use of bogus invoices. These actions were uncovered during the 4-year undercover investigation into the maritime industry, code named Operation Knotdock. The Operation identified widespread corruption in the repair and maintenance of Government ships in the DoD MSC fleet and the DOT Maritime Administration. These two fleets operate and maintain several hundred ships that are used in case of war or National emergency. The Houston RA conducted the investigation with the FBI, the NCIS and the DOT.

### **Theft**

Thomas R. Rayon, part owner of H&R Electrical Services (H&R), Orange, TX, and A. Fred Harvey, also a part owner of H&R, each were sentenced to 1 year's probation and ordered to pay \$1,200 in restitution and a \$25 special assessment fee.

Rayon and Harvey previously pled guilty to theft of Government funds in connection with a DoD contract. An investigation disclosed that Rayon and Harvey provided electrical services to a Government official for personal benefit. Warren Hilton, a marine surveyor for the Maritime Administration requested that Rayon and Harvey make electrical repairs at his aunt's home in Winnie, TX. The costs of these repairs were subsequently charged to a Government contract through the use of bogus invoices. These actions surfaced during the 4-year undercover investigation into the maritime industry, code named Operation Knotdock. This Operation identified widespread corruption in the repair and maintenance of Government ships in the DoD Military Sealift Command fleet and the DOT Maritime Administration, which operate and maintain several hundred ships used in case of war or National emergency. The Houston RA conducted the investigation with the FBI, the NCIS and the DOT.

### **Healthcare Fraud**

Luis Felix Hidalgo Martinez was sentenced in McAllen, TX, to 12 months incarceration, followed by 36 months supervised release, ordered to pay \$38,658.92 in restitution to various insurance companies and to pay a \$100 special assessment fee. He previously pled guilty to mail

fraud. An investigation disclosed Hidalgo, a Mexican national, used a false Social Security Number in conjunction with the names Luis Hidalgo, M.D., and Felix Hidalgo, M.D., to orchestrate a "ghost provider" scheme to fraudulently bill TRICARE and other private insurance companies throughout the United States. The claims falsely indicated Hidalgo provided medical services to several patients located primarily in the State of Florida. The alleged patients did not know Hidalgo and never received medical services from him. To further the scheme, Hidalgo used various "mail drops" and financial institutions in Texas and Mexico to receive the illegally obtained funds, which ranged from \$1,250 to \$4,500 per bogus claim. He then withdrew the money from banks in Mexico. The San Antonio POD conducted the investigation jointly with the USPIS and the Texas Department of Insurance.

### **False Certification**

William C. Strothers, former owner/general manager of the Harris McKenzie Corporation (HMC), Pittsburgh, PA, was sentenced to 5 months imprisonment, 36 months probation and a \$50 special assessment fee. Strothers previously pled guilty to providing a false and fictitious material statement to the DoD. Strothers falsely represented and certified HMC as a manu-

facturer of sugar products on three Defense Personnel Support Center (DPSC) (now known as the Defense Supply Center Philadelphia) contracts. Strothers established HMC as a "front" company for the purpose of obtaining contracts that were set-aside for small disadvantaged businesses (SDBs). As a "newly entering manufacturer" HMC received a 10 percent evaluation preference for the awarding of contracts. According to contractual regulations, businesses submitting bids for supplies as a SDB must perform work for at least 50 percent of the cost of manufacturing the supplies, not including the cost of the materials. In response to a DPSC solicitation for 92,160 bags of granulated sugar, totaling \$345,600, Strothers represented HMC would perform on this contract at a facility in Union City, IN, when Strothers knew a business other than HMC would perform on the contract. The Pittsburgh POD conducted the investigation jointly with the U.S. Marshals Service.

### **Theft**

Tracy Huff was sentenced to 21 months in prison, 3 years supervised release, ordered to make restitution of \$1,146,088 and to pay a \$50 special assessment. Huff previously pled guilty to theft and false statements. Huff and Nancy Thetford operated a medical billing service, Professional Medical Billers, lo-

cated in Denton, TX. They submitted claims for providers to various insurance carriers, including Medicare, Medicaid and TRICARE. While performing this function, they falsified claim forms submitted to the Medicare program and embezzled funds from that program. Thetford was sentenced in December 1997 for her part in the scheme. The Southwest FO conducted the investigation with the FBI, the IRS and the HHS.

### **Kickbacks**

Larry Allen Dennis, former president of Systems Engineering & Energy Management Systems, Incorporated (SEEMA), Hampton, VA, was sentenced to 24 months incarceration, 3 years supervised probation, a \$10,000 fine and a \$100 special assessment fee. In addition, Dennis cannot enter into any contracts with any Federal, state or local government during the probation period. Dennis previously pled guilty to soliciting and accepting kickbacks from a subcontractor, Carl William Kruse, Jr., a general partner in Eastern Electric Company (Eastern), Hampton, VA. SEEMA was the prime contractor on the Simplified Acquisition of Base Engineering Requirements (SABER) contract at Langley AFB, VA. Starting in early 1992 and continuing through late 1997, Kruse made approximately 57 monetary payments, totaling \$544,560, and 2 noninterest

bearing loans, totaling \$240,000, to Dennis while he was an officer of SEEMA. The payments and loans obtained favorable treatment in connection with subcontracts for Eastern relating to prime contracts entered into between SEEMA and the Government. While Kruse was acting as the project manager for SEEMA on the SABER contract at Langley AFB, he awarded all electrical subcontract work, as well as heating, ventilation and air conditioning subcontract work, to Eastern, a company in which he was a partner. The Norfolk RA conducted the investigation with the FBI and the AFOSI, with audit assistance from the DCAA.

### **Progress Payments**

John H. Matherly, president of The Enfield Corporation, was sentenced to 22 months incarceration, 3 years supervised release, to pay \$220,190.03 in restitution and a \$100 special assessment. Matherly previously pled guilty to mail fraud and making a false statement. While performing on contracts for the DoD, U.S. Department of Agriculture Forest Service and the South Carolina Air National Guard, Matherly submitted fraudulent progress payment certifications and received over \$188,000 in progress payments. Matherly certified he was using these funds to pay subcontractors and suppliers when he actually diverted the Government

money for his private gain. The Jacksonville POD conducted the investigation with the NCIS and the USACIDC.

## Civil Settlements

### Healthcare Fraud

The Medical Center at the University of California San Diego (MC-UCSD) agreed to a \$4.7 million civil settlement. The settlement resolves allegations that the MC-UCSD improperly billed TRICARE for surgical procedures using coronary DME not approved by the Food and Drug Administration (FDA). This action is the first settlement of any of the 132 hospitals named in the original *qui tam* suit filed in Seattle, WA. The suit alleged that 132 hospitals, nationwide, were illegally billing the Federal health insurance programs for experimental medical devices that were not approved by the FDA. This investigation of the MC-UCSD, a teaching hospital, centered on the illegal billing of experimental cardiac devices. The San Diego RA conducted the investigation.

### Healthcare Fraud

Walgreens Corporation (Walgreens) entered into a \$7.6 million civil settlement agreement with the Government to resolve allegations of false claims, receiving unjust enrichment, and breach of contract regarding payment of prescription medication claims made to the TRI-

CARE, Medicaid and Federal Employees Health Benefits Program. An investigation identified numerous instances where Walgreens was unable to completely fill the prescription presented by the patient and the patient was instructed to return for the balance. If a patient did not return for the balance of the prescription, the drugs were returned to stock or resold to other customers, but Walgreens did not credit the Government program accounts with the costs of the portion not actually provided to the patient. Walgreens is one of the largest pharmacy chains in the United States. The Orlando RA conducted the investigation with the Florida State Attorney General's Office.

### Healthcare Fraud

The University of Washington Medical Center (UWMC) agreed to pay \$3.6 million to settle allegations that UWMC and affiliated physicians billed TRICARE and Medicare for surgical procedures using medical devices not approved by the FDA. The Government maintained UWMC violated the False Claims Act by knowingly seeking reimbursement for services that UWMC was aware TRICARE and Medicare considered noncovered services for which reimbursement was not permitted. The Government programs were billed for more than 100 procedures performed on TRICARE and Medicare beneficiaries involving

“investigational” devices. The investigation that led to the settlement resulted from the filing of a *qui tam* lawsuit by a former medical device salesman. The Seattle RA conducted the investigation with the HHS.

### Healthcare Fraud

Fletcher Allen Health Care (FAHC) and Anesthesia Associates of Burlington (AAB), both located in Burlington, VT, executed a civil settlement agreement with the DoJ, the HHS, the DoD, the State of Vermont and the State of New York. Under terms of the agreement, FAHC and AAB will pay a total of \$3.2 million to settle issues associated with a *qui tam* suit. The suit alleged that FAHC and AAB submitted numerous claims to Medicare, Medicaid and TRICARE that did not reflect the services provided or otherwise comply with the applicable billing requirements. The agreement culminates a 3½-year investigation into billing practices of FAHC and AAB. The conducted the investigation jointly with the FBI, the Health Care Fraud Investigative Division of the U.S. Attorney's Office, District of Vermont, and the Medicaid Fraud Control Units for the States of Vermont and New York. The HHS also provided audit support.



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