



Department of Justice

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VIRGINIA CONTRACTOR PLEADS GUILTY TO KICKBACK SCHEME AND SUBSCRIBING TO A FALSE TAX RETURN

WASHINGTON — A Virginia contractor pleaded guilty today to participating in a scheme to steer contracts to him for repair, maintenance and renovation work at healthcare and nursing home facilities owned by Medical Facilities of America Inc. (MFA), the Department of Justice announced.

According to a two-count felony charge filed today in U.S. District Court for the Western District of Virginia, Gary L. Johns, a resident of Salem, Va., conspired with other individuals to steer contracts for repair, maintenance and renovation at MFA healthcare and nursing home facilities throughout Virginia from about March 2006 until at least December 2006. The department said that as part of the conspiracy, an MFA employee who oversaw the bidding process for repair, maintenance and renovation contracts at MFA facilities steered contracts to Johns' company, Salem Commercial Design, in return for kickbacks. According to the plea agreement, which is subject to court approval, Johns has agreed to cooperate with the department's ongoing investigation.

According to the court document, the MFA employee created fictitious competitor bids that were higher than the quotes submitted by Johns and other co-conspirator vendors, to create the false appearance of competition. The MFA employee directed subordinates to solicit quotes only from Johns. Johns paid more than \$124,000 in kickbacks to the MFA employee and received MFA contracts totaling more than \$1 million. The department said that as a result of the kickback scheme, MFA was deprived of competitive pricing to its financial detriment. Johns was also charged with making and subscribing to a false 2006 tax return, which is the year in which Johns received payment on the MFA contracts.

Johns is charged with conspiracy to commit mail fraud for the kickback scheme, which carries a maximum penalty of 20 years in prison and a \$250,000 criminal fine. Johns is also charged with making and subscribing to a false tax return, which carries a maximum penalty of three years in prison and a \$250,000 criminal fine, together with the cost of prosecution. The maximum fines for each of these charges may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximums.

The charge is the latest to arise out of the department's ongoing fraud investigation into the award of repair, maintenance and renovation contracts at facilities owned by MFA. The investigation is being conducted by the Antitrust Division's Philadelphia Field Office, the U.S. Attorney's Offices for the Western District of Virginia, the FBI in Roanoke, Va., and the Internal Revenue Service-Criminal Investigation in Roanoke. Anyone with information concerning fraudulent behavior relating to the award of contracts by MFA should contact the Antitrust Division's Philadelphia Field Office at 215-597-7405 or visit www.justice.gov/atr/contact/newcase.htm.

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