



## U.S. ATTORNEY'S QUARTERLY

### INNOVATIVE STEP TAKEN IN MORTGAGE FRAUD CASE

In December, this office brought criminal and civil mortgage fraud cases against Anthony J. DeMarco, III, his real estate companies, and several real estate professionals who worked with him for an alleged scheme involving more than \$30 million in loans. The cases alleged that the defendants preyed on people who were at risk for losing their homes to foreclosure. The civil steps being taken are an effort to help the fraud victims save their homes. The cases allege that the defen-

dants promised victims a sale-leaseback arrangement in which the homeowner would sell the house to DeMarco's company and continue to live there paying rent until it was possible for the homeowner to buy back the property. The defendants are also charged with preparing false mortgage documents as part of those transactions, skimming the equity from the houses, and taking the monthly rent payments while not making the mortgage payments. In the civil case, the court has issued an order stopping all foreclosures on the vic-

tims' houses. Our office is now working on creating a process, through the court, to bring together all of the parties who may have interest in the respective properties. The goal of the process is to find a solution, other than foreclosure, that will return the houses to their rightful owners.

The criminal case is scheduled for trial in September 2011.

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## A Message From the U.S. Attorney for the Eastern District of Pennsylvania

Fraud is a broad term but one that is very familiar to anyone who has been the victim of a fraud. In this office, we charge a wide variety of fraud, from simple frauds—such as lying on a mortgage application—to more complicated scams such as Ponzi schemes and investment fraud. The DeMarco case (featured above) is a classic example. The effect of fraud schemes goes beyond the victims. The general public is also impacted. Ponzi schemes and mortgage fraud have received national attention in recent years because of the devastating effects on victims who have lost their life savings or lost their homes, or both.

High-profile prosecutions, nationwide, don't deter every scammer. The con artists continue to devise ways through which they can fraudulently make money at the expense of homeowners. Those homeowners are average citizens, like you. They trust in people they know or, sometimes, in professionals — who they think are obligated to look out for the client's best interest when they are not.

Fraudsters who target individuals don't exclusively target the vulnerable. They go to great lengths to build a level of trust with their victims that will allow them access to personal information and even bank accounts. The best deterrent is still a well-informed and wise target who knows when something sounds too good to be true.

Homeowners and average citizens aren't the only victims of fraud. As you read through this issue, you will find examples of some of the other types of fraud cases we investigate and prosecute—whether it involves taxes, health-care, or a government program.

It is particularly important, this time of year, to make the public aware that we have brought cases where tax preparers were defrauding their clients. We cannot overstate the tough lesson that taxpayers learn when their tax preparer files a return claiming deductions to which they are not entitled. The tax preparer is charged with a crime, but the taxpayer—

who might also face criminal charges—has to pay the amount of the phony deduction plus all penalties and interest.

Educating oneself about the validity or legitimacy of professionals who are engaged in your financial affairs is the best protection against becoming a victim. Federal agencies, like the IRS, are more than willing to help direct the public away from scammers or to help you make an educated decision about the red flags you should look for when conducting business that involves your finances. No one wants to be a victim. Protect yourself.

-Zane David Memeger



## FRAUD SCAMS AND SCHEMES

Between December 1, 2010 and February 28, 2011, our office charged 20 cases that alleged some form of fraud—from scamming retirees out of their savings to defrauding the government.



Charges were filed in February against four individuals involved in an alleged scheme to defraud the government by using their ambulance service to transport patients who were able to walk or travel by paratransit van. The indictment alleges that Ivan Tkach was excluded, by the U.S. Department of Health and Human Services, from providing services under the Medicare Program due to his prior criminal convictions, yet continued to operate Advantage Ambulance Company with the knowledge of Alla and Ilya Sivchuk. It is further alleged that all three defendants made false statements regarding the nature of Tkach's employment. A separate criminal complaint was filed against Boris Rostovsky alleging health care fraud based on his operation of Grey Eagle, Inc. ambulance company. The Federal Bureau of Investigation and the U.S. Department of Health and Human Services, Office of Inspector General, investigated. Michelle Morgan-Kelly is prosecuting.

Dr. Joseph J. Lerner, 50, of Chalfont, PA, was sentenced in January to 36 months in prison for a \$3 million scheme to defraud Independence Blue Cross ("IBC"), Aetna Health Management ("Aetna"), Highmark Blue Shield ("Highmark") and five other victim insurance companies. Dr. Lerner hired masseuses and personal trainers to work at Horsham Fitness to provide massages and personal training to gym members whose health insurance Lerner would bill fraudulently for chiropractic services that Lerner never provided. Dr. Lerner suggested to persons seeking to join the gym that they could obtain massages and personal training for the very low price of only a co-payment, usually \$10, by having their health insurance pay for those massages and personal training sessions. Dr. Lerner prepared fraudulent bills for the Horsham Fitness members, including fictitious procedure codes and false representations of patient symptoms and clinical findings, and submitted those fraudulent bills to the victim insurance companies. The defendant caused the submission of fraudulent medical bills to the eight victim insurance companies totaling approximately \$3 million, resulting in payments from the victim insurers totaling approximately \$1,932,910.95. The Postal Inspection Service and FBI investigated. Laurie Magid and Mary E. Crawley prosecuted.

Dr. Joseph J. Kubacki was charged in January in a 144-count indictment alleging health care fraud and making false statements in health care matters. The indictment alleges that while Kubacki was the Chairperson of the Temple University School of Medicine Ophthalmology Department, he caused thousands of false claims to be submitted to health care benefit

programs with false charges totaling more than \$3 million for services rendered to patients whom Kubacki did not personally see or evaluate. Kubacki allegedly signed patient charts and filled out fee slips for services he falsely claimed to have provided. The case was investigated by the U.S. Department of Health and Human Services Office of Inspector General and the FBI. Anthony Kyriakakis is prosecuting.

Brian Geller, 32, of Sewell, New Jersey, pleaded guilty in January to a multi-year bank fraud scheme that netted him over \$1.8 million from JP Morgan Chase Bank. Geller also admitted to one count of tax fraud, and to money laundering by engaging in transactions over \$10,000 using criminal proceeds, which included purchasing a house. While an employee of JPMorgan Chase Services, Geller manipulated the bank's internal books and records to hide wire transfer money to his account, as well as transfers to accounts of family members, including his life partner. Geller is scheduled to be sentenced in April. The FBI and the IRS Criminal Investigation Division investigated the case. Pamela Foa is prosecuting.

In December, 57-year old Robert Sturman, of Bucks County, was sentenced to 10 years in prison for investment schemes that defrauded scores of victims of more than \$4 million. As a licensed insurance agent, Sturman sold annuities and other financial products to his clients. After earning their trust, Sturman stole, rather than invested, his victims' money. Among his victims were a widow who he swindled out of life insurance proceeds less than two months after her husband died; victims from whom he stole retirement funds; and a grandfather who had saved the money for a grandchild's college education. In addition to the prison term, U.S. District Court Judge Barclay R. Surrick ordered Sturman to pay \$4,258,994 in restitution. The FBI, U.S. Postal Inspection Service, and state Securities Commission investigated. Karen Grigsby prosecuted.

Joseph M. Braas, 45, of Lititz, PA, pleaded guilty in December to his role in a sophisticated loan fraud-scheme that caused millions in losses at Equipment Finance Inc. (EFI). EFI was a lender that provided loans for forestry and land clearing equipment. Braas and seven co-defendants were indicted in November. Braas was EFI's Chief Operating Officer and a leader of the conspiracy in which he and his co-defendants looted accounts and falsified books to make EFI appear more profitable than it was. Braas is scheduled to be sentenced June 9, 2011. The FBI and U.S. Postal Inspection Service investigated. Nancy Potts is prosecuting.



### Sidenote:

You can find press releases about the cases we charge on our website:

[www.justice.gov/usao/pae](http://www.justice.gov/usao/pae)

## U.S. Attorney Kicks Off New Outreach Effort

Students from four Northwest Philadelphia High Schools joined United States Attorney Zane David Memeger, February 25th, for the kickoff of a youth violence prevention program, "Voices of Youth." Deputy Director Stephen Robertson with The Philadelphia Center for Arts and Technology, Co-Chair of the Northwest Community Coalition for Youth Isabella Fitzgerald, representatives from the Village of Arts & Humanities and the Well Program, administrators and students from: Hope Charter High School, Imhotep Institute Charter High School, Martin Luther King High School, and New Media Technology Charter School attended the kickoff and orientation. The project is a curriculum-based after-school program with a focus on reducing crime and violence, improving the quality of life in communities within the Eastern District of Pennsylvania, and enhancing the relationships between the public and law enforcement. The eight week initiative is making its inaugural run in Northwest Philadelphia. The program provides up to 40 high school students with an opportunity to participate in a video project about violence, focusing on their life experiences while working as a team. The students will be working with Philadelphia's well-established Village of Arts and Humanities on "The Reel Life Video Project," or with Well Productions on "Voices of the Children: Listen & Learn." The end results of the program will be part of a film festival in May.



### VOCABULARY: Mail Fraud

Simply put, mail fraud is using the US mail to steal money. The crime can involve any number of scenarios or schemes that attempt to unlawfully obtain money or valuables via the postal system. The statutory maximum sentence for mail fraud is 20 years in prison, a \$250,000 fine, and three years of supervised release.

### CRIMEBUSTERS: U.S. Postal Inspection Service

An interview with Inspector-in-Charge Karen Higgins, of the U.S. Postal Inspection Service's Philadelphia Division:

#### -What is USPIS's mission?

Our mission is to support and protect the U.S. Postal Service and its employees, infrastructure, and customers; enforce the laws that defend the nation's mail system from illegal or dangerous use; and ensure public trust in the mail. The primary focus of our investigations and initiatives is the safety and security of employees, customers, and the sanctity of the U.S. mail.

#### -What types of crimes or civil remedies does the agency pursue?

Since the anthrax attacks of 2001, the Inspection Service has worked with the Postal Service to develop more advanced and efficient methods of detecting and dealing with the threat of suspicious substances in the mail. The Inspection Service's efforts in preventing dangerous substances—anthrax, narcotics, explosives—from being transported through the mail, are a vital part of our mission. In addition, we have an active role in protecting consumers from falling victim to schemes that ultimately use the US mails to defraud them of funds. Some of the civil remedies the Inspection Service has at its disposal to help protect the public from fraud schemes are: Voluntary Discontinuances, Withholding of Mail Orders, False Representation Orders.

#### -How did you decide to join the Postal Inspection Service?

Since grade school I have had a strong interest in fighting crime. During college, I majored in Criminal Justice. Through a friend, I learned of the US Postal Inspection Service and that it is the law enforcement arm of the US Postal Service. When the opportunity arose to work for the Postal Service, I accepted the position with the intention of becoming an inspector because I was intrigued by the fact that inspectors worked throughout the country on investigations ranging in complexity from local mail theft to multi-million dollar fraud schemes.

#### -What do you consider to be USPIS's most important function?

Our most important tasks are ensuring safety and security. Those concepts are intertwined in every investigation. The delivery and transportation of the US mail are vital parts of the nation's infrastructure. The Postal Service has been deemed one of the most trusted agencies for the past several years. The Inspection Service helps to ensure that trust is maintained.

#### -How does the general public reach the agency if they have a question or want to report an activity for investigation?

Our website is [www.postalinspectors.uspis.gov](http://www.postalinspectors.uspis.gov). The Inspection Service can also be reached at 1-877-876-2455 (1-877-USMail5).

## CRIME & PUNISHMENT:

### Charged:

The first criminal tax case in the Eastern District of Pennsylvania, involving fraud effecting stimulus funds, was announced in February. Jonathan Brownlee is charged with filing false federal income tax returns and seeking refunds based on a tax credit which was made available in 2008 to first-time home buyers. According to the indictment, Brownlee attempted to claim \$120,150 in tax refunds through fraudulent means that included preparing federal income tax returns in the names of 16 victims and claiming refunds based upon the tax credit which Brownlee knew the individuals were not entitled to claim. IRS Criminal Investigation Division investigated. Floyd Miller is prosecuting.

Christopher Vassalluzzo, of New Hope, was charged in February with tax evasion. Vassalluzzo is charged with evading taxes on gross income of more than \$2.39 million. These charges are in addition to a July indictment alleging that Vassalluzzo conspired to distribute prescription controlled substance diet drugs outside a professional practice, mail fraud, structuring and aggravated structuring of some of the millions of dollars in cash the pill sales generated. Investigated by FBI, IRS, DEA. Pamela Foa is prosecuting.

### Convicted:

Clarence Powell, of Philadelphia, was convicted at trial in February of the home invasion robbery of two Asian business owners and their families. Powell and his co-defendants followed a Philadelphia shop owner to her Broomall home, and while armed, tied up the shop owner and her husband, assaulted them, and stole money and other property. The defendants also followed home the Upper Darby owner of a Philadelphia discount store,

forced their way into the home and robbed several of the shop owner's family members at gunpoint. FBI, Phila. Police, Upper Darby Police, Marple Twp. Police investigated. Arlene Fisk & Tom Zaleski prosecuted.

Colleen LaRose, a/k/a Jihad Jane, pleaded guilty in February to conspiracy to provide material support to terrorists, conspiracy to kill in a foreign country, making false statements and attempted identity theft. LaRose, a former resident of Montgomery County, along with her co-conspirators, recruited men on the Internet to wage violent jihad in South Asia and Europe. She recruited women on the Internet who had passports and the ability to travel to Europe in support of violent jihad. LaRose faces a maximum potential sentence of life in prison and a \$1 million fine when sentenced. FBI Joint Terrorism Task Force investigated. Jennifer Arbittier Williams is prosecuting.

### Sentenced:

In January, 34-year old David Ivins, of Feasterville, PA, was sentenced to 72 months in prison for possession of child pornography. Ivins was convicted by a jury of possessing more than 600 images of child pornography. Some of the images depicted blindfolded, bound, gagged children being raped. Investigated by U.S. Immigration and Customs Enforcement Homeland Security Investigations. Prosecuted by Michelle Rotella.

Kelly Kaufmann Layre, 39, a former employee of the Philadelphia Records Department, was sentenced in January to two years in prison for a corruption scheme that deprived the city of hundreds of thousands of dollars in fees. Layre sold more than 24,000 reports from traffic accidents, police incidents, and fires, at a reduced rate, keeping

the money for herself. The scheme deprived the city of more than \$600,000 in fees. Layre must pay \$600,415 in restitution. The FBI and the City Office of Inspector General investigated. Denise Wolf prosecuted.

Matthew Bean, of Bergenfield, New Jersey, was sentenced in January to 45 days in prison and five years probation for a case of cyberbullying that included sending sexually explicit photos of another person to that person's school and posting them on 4Chan.org. The defendant took part in a web chat about the victim and photos that included references, by others, to shaming the victim into possibly committing suicide. Bean pleaded guilty to stalking. He was also ordered to post a message on the pertinent chat board to let people know that cyberbullying is a crime. Investigated by FBI. Prosecuted by Michael L. Levy.

Ibrahim Fofana, of Ohio, was sentenced in December to 124 months in prison for conspiracy to commit credit card fraud, credit card fraud, and identity theft. Fofana traveled to Pennsylvania and was arrested after using another person's credit card account to rent rooms in an Upper Darby hotel. Police found a phony i.d., a device used to re-encode account numbers onto gift and credit cards, computers and thumbdrives containing more than 500 account numbers that did not belong to Fofana. They also found numerous debit and gift cards that had been re-encoded with account numbers belonging to other people, and receipts from recent purchases made in Ohio using account numbers belonging to some of Fofana's victims. The U.S. Secret Service and Upper Darby Police Department investigated. Bea L. Witzleben prosecuted.

Sidenote:

You can find press releases about the cases we charge on our website:

[www.justice.gov/usao/pae](http://www.justice.gov/usao/pae)

If you believe you may be a victim of a federal crime, the U.S. Attorney's website has more information on whom to call to file a report. Go to [www.justice.gov/usao/pae](http://www.justice.gov/usao/pae) for help.

**DID YOU KNOW** that you can sign up for email updates from the Department of Justice? Go to [www.justice.gov](http://www.justice.gov) to find out how or to stay connected to DOJ on Facebook and Twitter.