



# U.S. ATTORNEY'S QUARTERLY

## Contractor Admits Overcharging For Troop Supplies

In December 2014, the United States announced the resolution of criminal fraud and civil False Claims Act cases against Supreme Foodservice GmbH, a privately-held Swiss company, and Supreme Foodservice FZE, a privately-held United Arab Emirates ("UAE") company, in connection with a contract to provide food and water to the U.S. troops serving in Afghanistan. The companies pleaded guilty to Major Fraud Against the United States and paid \$288.36 million in the criminal case, a sum which includes the maximum criminal fines allowed. In addition, Supreme Group B.V., a privately held Dutch corporation, and its subsidiaries, Supreme Foodservice GmbH and Supreme Foodservice FZE, agreed to pay \$101 million to resolve allegations in a whistleblower lawsuit that Supreme violated the False Claims Act.

In 2005, Supreme Foodservice AG (which is now called Supreme

Foodservice GmbH) entered into a contract with the Defense Supply Center of Philadelphia ("DSCP," now called Defense Logistics Agency – Troop Support), to provide food and water for the U.S. forces serving in Afghanistan. Between July 2005 and April 2009, Supreme Foodservice AG together with Supreme Foodservice KG devised and implemented a scheme to overcharge the United States in order to make profits over and above those provided in the \$8.8 billion Subsistence Prime Vendor Contract ("the SPV contract"). The companies fraudulently inflated the price charged for Local Market Ready goods (or LMR) and bottled water sold to the United States under the SPV contract. Supreme did this by using a UAE company it controlled, called Jamal Ahli Foods Co., LLC ("JAFCO"), as a middleman to mark up prices for fresh fruits and vegetables and other locally-produced products sold to the U.S. government, and to obscure the inflated price Supreme was charging for bottled water.

The fraud resulted in a loss to the government of \$48 million. In addition, as a result of the criminal investigation, Supreme paid \$38.3 million directly to the DSCP as a refund for separate overpayments on bottled water.

Even though the SPV contract stated that Supreme should charge the government the supplier's price for the goods, emails between executives at Supreme reveal Supreme's deliberate decision to inflate the prices. Among other things, Supreme Owner#1 increased the markup that JAFCO would impose on non-alcoholic beer from 25 percent to 125 percent.

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## Members Of Violent Loan-Sharking & Illegal Gambling Ring Convicted

On December 15, 2014, a federal jury returned guilty verdicts against four defendants charged in a loan sharking and illegal gambling ring that was run out of several Philadelphia businesses. Ylli Gjeli, Fatimir Mustafaraj, Gezim Asllani, and Rezart Rahmi Telushi, all of Philadelphia, were found guilty of racketeering conspiracy, racketeering collection of unlawful debt, and collections of extensions of credit by extortionate means. Gjeli, Mustafaraj, and Asllani were also convicted of making extortionate extensions of credit; and Gjeli and Mustafaraj were also convicted of operating an illegal gambling business. Gjeli was a leader and "boss" of the organization; Mustafaraj, a/k/a "Tony," was a leader and "muscle." Both directed other members in the loan sharking activities and illegal gambling business, approved loans, used intimidation and threats of violence against customers, collected weekly loan payments, physically assaulted subordinate members and associates, supervised the illegal gambling business, provided cash to pay customer's gambling wins and otherwise financed the gambling business, collected gambling debts, and made loans to customers whose debts were incurred through the illegal gambling business. The enterprise used businesses in Philadelphia to conduct the criminal activities. Members and associates of the enterprise cultivated their reputation for violence by threatening customers with dangerous weapons such as a firearm and hatchet; using implied threats and intimidation; telling customers that if they did not pay their debts someone would kill them, "break your legs," or physically harm them or their family members in some other way; and physically assaulting subordinate members and associates. The defendants attempted to conceal the existence and operations of the enterprise from law enforcement by: limiting their discussions of criminal activities when on the phone, using cryptic and coded language to describe criminal activities; conducting pat-downs and body searches of customers to check for weapons and recording devices; and conducting the enterprise's transactions primarily in cash. U.S. District Court Judge William Yohn scheduled sentencing hearings for March 2015.

## Fraud Schemes

The Chief Executive Officer of Devos Ltd., doing business as Guaranteed Returns ("Guaranteed Returns"), in NY, was charged in a multi-million dollar fraud scheme that involved returning unused pharmaceuticals for a refund. Dean Volkes and two others, Donna Fallon and Ronald Carlino, were indicted in a conspiracy to obstruct justice and defraud customers, including the government. Manufacturers of pharmaceutical products frequently allow expired drugs to be returned for a refund. Guaranteed Returns handled this process for healthcare provider clients in exchange for a fee based on a percentage of the return value. The defendants allegedly stole a significant portion of the non-expired drug products that it received from its clients; returned the drugs to the manufacturers; and kept the resulting refund money for the company itself and Dean Volkes. It is further alleged that the defendants destroyed and concealed records, then lied to investigators to conceal the fraud. A trial is scheduled for January 2016.

Feda Kuran, of Philadelphia, was sentenced in November 2014 to 64 months in prison for a \$2 million healthcare fraud scheme involving Brotherly Love Ambulance. Kuran, who was president of the ambulance company, admitted to transporting patients who were able to walk and were not eligible for ambulance transportation under Medicare requirements. The fraud scheme involved falsifying reports to make it appear that the patients needed ambulance services. Kuran billed Medicare for the unnecessary services and paid kickbacks to patients. Under her direction, the company also submitted claims to Medicare for ambulance services for patients who were not transported by ambulance, but who were, instead, transported in private vehicles or drove themselves to their destinations. As a result of the scheme, the Medicare program paid more than \$2 million for fraudulent claims from Brotherly Love.

The day after Kuran's sentencing, an indictment was filed, charging six people, including four Medicare beneficiaries, with conspiracy to commit health care fraud. Thael Kuran, Fritzroy Brown, Craig Brown, Derrick Brown, William Conner and Keisha Regusters are charged in the submission of more than \$4 million in fraudulent Medicare claims. According to the indictment, the ambulance company workers paid illegal kickbacks to the patients as part of the scheme. Trial is scheduled for April.

In a similar scheme, Life Support Corporation, formerly located in Feasterville-Trevose, PA, and its owners pleaded guilty to conspiracy to commit health care fraud and to violating the federal anti-kickback statute. Nazariy, Bogdan, and Rostislav Kmet, falsified reports to make it appear that patients needed to be transported by ambulance when the defendants and their employees knew that the patients could be transported safely by other means and that many of them were even able to walk. The defendants also paid kickbacks to patients so that the patients would continue to be transported by Life Support ambulances, rather than switching to another fraudulent ambulance company. As a result of the scheme, the Medicare program paid more than \$1.9 million for this inappropriate method of transportation.

In October, a U.S. District Court Judge sentenced several defendants involved in a multi-million dollar mortgage fraud conspiracy involving KREW Settlement Services. The scheme involved identifying distressed properties in West Philadelphia, recruiting straw buyers to purchase the properties, and submitting fraudulent documents to obtain mortgages. The fraud scheme resulted in more than \$20 million in fraudulent loan proceeds. Eric Sijohn Brown was sentenced to 180 months in prison; Kevin Joseph Franklin, was sentenced to 139 months in prison; and Roderick L. Foxworth, Sr., was sentenced to 84 months in prison. Each of the defendants was also ordered to pay millions of dollars in restitution to the lenders that were defrauded and to the IRS for false filing of tax returns. All three defendants pleaded guilty to conspiracy to commit loan fraud, wire fraud, and making false statements. Co-conspirators Walter Brown and Cynthia Brown were convicted at trial.

## Child Exploitation Cases

In October, Christopher Steele, of Newark, DE, was convicted of use of an interstate commerce facility to entice a minor to engage in sexual conduct, interstate travel with intent to engage in illicit sexual conduct with a minor, and receipt of child pornography. He faces a mandatory minimum of 10 years in prison with a maximum sentence of life.

Rashidah Brice, of Chester, PA, was sentenced to 185 months in prison for sex trafficking a minor by force and two counts of sex trafficking by force. She, along with Christian Dior Womack, operated a prostitution venture that recruited young females, one of whom was a minor, to work as prostitutes. The defendants engaged in acts of physical violence and threatened physical harm to maintain the participation of females in their prostitution business. Womack, a/k/a "Gucci Prada," was sentenced in December to life in prison.

Burton Gersh and Les Sidweber, both of NJ, were charged in November with production of child pornography, allegedly transporting two minors from the Philadelphia area, on multiple occasions, to the defendants' homes in Cherry Hill, NJ. Sidweber allegedly photographed the juveniles engaging in sexually explicit conduct at Gersh's behest. They are awaiting trial.

Thomas Rafferty, of Levittown, PA, was sentenced in December to 15 years in prison for taking sexually explicit pictures of young girls. The investigation began when one of the victims reported the abuse nine years after the events. Agents of Immigration and Customs Enforcement Homeland Security Investigations were able to resurrect the "cold case" and obtain a search warrant for the defendant's residence. In a computer, the agents found the images that the victim had described.

## CIVIL SETTLEMENTS

In October, Thermacore, Inc. agreed to a \$965,000 settlement to resolve allegations of fraud arising as part of the Federal government's Small Business Innovation Research ("SBIR") program. According to the United States, k Technology Corporation (kTC), which Thermacore acquired, had submitted a project proposal to the National Aeronautics and Space Administration ("NASA"), on September 4, 2008, and submitted a duplicate proposal to the United States Air Force ("Air Force") on September 24, 2008. Through the SBIR program requirements, both NASA and the Air Force mandate that the same or essentially equivalent research may not be funded by more than one agency and that submissions under the SBIR Program must be certified as being non-duplicative. Under the parties' settlement agreement, Thermacore will pay \$500,000 to the United States. An additional \$465,000.00 will be allocated and used for ongoing compliance efforts by Thermacore. Thermacore has already initiated an upgrade to its Ethics and Compliance Program which efforts are continuing.

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In December, Manoa Fire Company (MFC), of Haverford Township, PA, agreed to pay \$36,912 to resolve allegations that it violated the False Claims Act as a result of ambulance services that it provided to Medicare and Medicaid patients. The civil settlement resolves allegations that, between July 23, 2007 and September 30, 2013, on some of the Basic Life Support runs MFC provided, the ambulance attendant had not timely completed an advanced first aid class or that the attendant's advanced first aid certification had lapsed. During the time in question, state and federal rules required that an ambulance providing Basic Life Support services have at least two individuals present: a licensed emergency medical technician ("EMT") and an "ambulance attendant" who had completed an emergency vehicles operation course and who had current certifications in both cardiopulmonary resuscitation (CPR) and advanced first aid class. As a result of the civil settlement and the corrective measures that MFC has undertaken and agreed to undertake, the U.S. Department of Health and Human Services (HHS) Office of the Inspector General determined that it would not be required to enter into a Corporate Integrity Agreement.

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In December, Northampton Hospital Company, LLC and Northampton Hospital Corporation, doing business as Easton Hospital ("Easton Hospital"), agreed to a \$662,000 settlement with the government to resolve allegations of health care fraud arising under the False Claims Act. The United States contends Easton Hospital billed Medicare for procedures performed by Dr. Thomas Walden, including extracorporeal shock wave lithotripsy, cystometrogram, green light laser, and transurethral resection of the prostate. According to the United States, some of these procedures were not performed, were only partially completed, or were medically unnecessary. Easton Hospital provides services in Easton, Pennsylvania and denies the allegations.

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Individuals with information regarding fraud, waste, or abuse related to Medicare or other federal programs are encouraged to file a complaint with the United States Attorney's Office by calling 215-861-8200.

## Outreach This Quarter

**Agent Awards:** In October, United States Attorney Zane David Memeger awarded Certificates of Recognition to 225 agents and officers from two dozen local, state and federal agencies who investigated cases prosecuted by the U.S. Attorney's Office for the Eastern District of Pennsylvania. The certificates recognize the talents, efforts, and commitment of the law enforcement agents who work the cases prosecuted by this office.

**Gardening With The Eagles:** Members of the U.S. Attorney's Office joined members of the Philadelphia Eagles and the Pennsylvania Horticultural Society for a day of gardening at the PHS Green Resource Center in Strawberry Mansion. Also participating were volunteers from the Strawberry Mansion High School football team, PowerCorps PHL, and the surrounding community. The "gardeners" helped with the planting of trees and daffodils at the resource center and across the street at Strawberry Mansion High School. The volunteers were treated to food provided by the SMHS Culinary Arts program. - See more at: <https://www.myphillyrising.com/#strawberry-mansion/stories/2653>





## CRIME & PUNISHMENT:



### **CHARGED:**

#### **October 2014:**

Eric C. Opitz, of Phillipsburg NJ, was charged with health care fraud, mail fraud, and the illegal distribution human growth hormones ("HGH") and anabolic steroids. The defendant allegedly used Medicare Part D benefits to obtain HGH and anabolic steroids, which he then sold by advertising on the internet. The defendant was not a licensed physician, nor did he have any medical training. Trial is scheduled for March.

#### **November 2014:**

Delvin Barnes, of Charles City, Virginia, was charged with abducting a person from Philadelphia and transporting that person across state lines and in to Maryland. Trial is scheduled for May.

#### **December 2014:**

Kareem Cameron and Alecia Susan Brown, both of Wyncote, PA, were charged with conspiracy to commit mail and wire fraud in an internet scam involving an online auction site. The pair allegedly offered luxury items, including BMWs and Rolex watches, for sale on the internet auction site but did not possess or intend to deliver the goods offered for sale; they also offered goods that were not in the condition advertised. The pair allegedly defrauded their victims of \$186,439. Trial is scheduled for May.

### **CONVICTED:**

#### **October 2014:**

Istvan Merchenthaler, of Downingtown, PA, pleaded guilty to all counts in four pending indictments charging wire fraud, possession of destructive devices, and related offenses. Sentencing is scheduled for April. Merchenthaler operated a "Ponzi"

scheme, stealing over \$2 million from investors by claiming his business—PhoneCard USA—had "lucrative contracts" with major retail chain stores. He also admitted to illegally possessing 460 improvised explosive devices ("IEDs"), a firearm and ammunition.

#### **November 2014:**

Edward J. Rorie, a tax preparer from Philadelphia, PA, pleaded guilty to criminal tax fraud for preparing 968 returns, for tax years 2009 through 2011, which claimed bogus refunds totaling \$3.85 million. The refunds were based on phony tax credits and inflated deductions. Sentencing is scheduled for April.

#### **December 2014:**

Francis J. Cinelli, Sr., M.D., of PA, pleaded guilty to aiding and abetting the filing of a false tax return. Cinelli, Sr., admitted concealing the income he was paying his son to help his son avoid paying income tax. The IRS was defrauded of \$95,360 in tax for which Cinelli, Sr. is joint and severally liable. Sentencing is scheduled for March.

### **SENTENCED:**

#### **October 2014:**

Christopher Saridakis, of DE - 15 months in prison for giving another person confidential information about eBay stock. Saridakis was a senior executive at GSI Commerce, Inc., when he provided material, non-public information regarding eBay's pending acquisition of GSIC. In addition to the prison term, he was ordered to pay a \$10,000 fine.

Matthew McManus, of PA - 16 years in prison and restitution of \$17,774,174, for defrauding hundreds of victims searching for commercial financing from Remington Financial Group. McManus and five others bilked

more than 1,900 victims out of more than \$26 million.

#### **November 2014:**

Jay Stout, of Harrisburg, PA, was sentenced to five years in prison for a fraud scheme that involved falsifying the inspection records of aircraft at his company, Flying Tigers, Inc. In April 2014, a jury found Stout guilty of conspiracy, fraud involving aircraft parts, mail fraud, and obstruction of justice. He was president of Flying Tigers, located in Marietta, PA. He was also ordered to pay restitution in the amount of \$503,340.

#### **December 2014:**

Sentences were handed down to three defendants in the corruption case involving Philadelphia's former Traffic Court. Robert Mulgrew, was sentenced to 18 months in prison for lying about ticket fixing at the former court. Mulgrew, a former judge, was convicted at trial of committing perjury before the federal grand jury investigating the case. Co-defendant Thomasine Tynes, also convicted at trial, was sentenced to 24 months in prison for lying about ticket fixing at the former court. In fashioning the sentence, U.S. District Court Judge Lawrence Stengel agreed with the government that Tynes attempted to obstruct justice during the trial by contacting, and attempting to influence, a key prosecution witness. Another co-defendant, William Hird, was sentenced to 24 months in prison for his role in the fraud scheme. Hird, who was Director of Records at the time, pleaded guilty to 18 counts, including conspiracy, wire fraud, mail fraud and lying to the FBI when questioned about ticket fixing at Traffic Court.

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