

# NEWS

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***Ralph J. Marra, Jr., Acting U.S. Attorney***

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drill1222.rel  
FOR IMMEDIATE RELEASE  
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## Ex-President of Athletic Equipment Reconditioning Company Admits Fraud Against New Jersey Schools

– School Officials Were Often Aware and Enabled the Fraud –

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(More)

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NEWARK, N.J. – The former president of a Pennsylvania company that supplied athletic equipment and reconditioning services to scores of schools in New Jersey pleaded guilty today to participating in fraudulent business practices including, among other things, overcharging the schools for services, Acting U.S. Attorney Ralph J. Marra, Jr. announced.

David Drill, 60, of Easton, Pa., the former president of Circle Systems Group, Inc., based in Easton, admitted that the scheme involved inflated invoices, the creation of phony bid documents from competitors and the retention of overpayments by schools. Drill also said that he engaged in aspects of the fraud often with the knowing participation of school officials, including athletic directors, school administrators, purchasing officials and coaches with whom he and his sales force had fostered and maintained relationships over many years.

The company was engaged in the business of selling and reconditioning athletic equipment and uniforms. The reconditioning of equipment – including football helmets and shoulder pads which accounted for a large part of the business – involved the process of repairing, cleaning and sanitizing and sometimes repainting used athletic equipment. A large part of Circle's sales of athletic equipment and reconditioning services to high schools, colleges and youth sports programs was in New Jersey, but in other states as well.

Drill worked for the company from 1982 until September 2007, and became president in 1988 and was responsible for the management of Circle's sales force. Circle Systems was acquired by Schutt Holdings, Inc. in 2005 and has since stopped using the Circle Systems name for that subsidiary. Schutt has cooperated fully in the investigation.

Drill pleaded guilty before U.S. District Judge Dickinson R. Debevoise to one count of conspiracy to commit mail fraud, which carries a maximum statutory penalty of five years in prison and a \$250,000 fine. Judge Debevoise did not schedule a sentencing date due to Drill's continuing cooperation in the investigation.

According to the Information to which Drill pleaded guilty, others at Circle were involved in the fraud. Also, some school officials who contracted with Circle knew or should have known of the fraud and often participated in it by assisting Drill and others in the fraudulent methods he used.

Marra said the investigation is continuing.

There were four essential methods to the fraud that began in the 1980s and continued into 2007, which Drill detailed during his plea and are described in the Information to which he pleaded guilty:

**1) Circle's submission of fake price quotes to schools:** To increase sales, Circle and its salesmen represented to schools that if they needed two additional price quotes from competing companies to comply with legal requirements, Circle would provide them to justify a contract with Circle. Drill admitted that he and others produced hundreds, if not thousands of such fake price quotes and submitted them to purchasing officials at schools in New Jersey.

**2) Fraudulent paperwork submitted with the knowledge of school purchasing officials:** Drill admitted that on hundreds, if not thousands of occasions, Circle submitted fraudulent invoices and other paperwork to Schools, when requested to do so by School Purchasing Officials, to hide the nature and timing of purchases by the School Purchasing Officials. Schools often made such requests when they confronted the dilemma of having budgeted funds for athletic equipment reconditioning but had not expended it by the end of a fiscal year and feared not getting that money in future budgets. Drill admitted that to fix this problem, Circle would routinely create fraudulent paperwork that made it appear that the money had indeed been spent on reconditioning services in the current fiscal year. The schools would then use the money budgeted for services with Circle in the next fiscal year but have the paperwork to make it appear that the services had already been rendered and paid for; or the schools would use the money designated during a fiscal year in that year but on different goods or services.

**3) Fraudulent inflation of invoices to schools:** As a routine business practice, Circle management authorized its employees to make gifts and donations to schools and school purchasing officials but then sometimes reimbursed itself for the cost of those gifts by inflating its invoices for services to those schools. In one example detailed in the Information, a New Jersey school purchasing official asked a Circle salesman for a set of golf clubs for himself. The salesman paid \$503 for them. Circle in turn recouped not only that cost but built in a \$297 profit by fraudulently inflating by \$800 an invoice to the school for new football jersey. Drill admitted that other times Circle would submit price quotes for goods and services to schools that turned out to be too low but then made back its costs and profit by fraudulently inflating other invoices to those schools.

**4) Circle's retention of overpayments by schools:** Upon receiving invoices and statements from Circle that were strikingly similar in appearance, schools often paid twice for the same goods and services. Circle received hundreds of duplicate payments from schools and kept the payments. Only when a school recognize its mistake was the money refunded. If not, then after a period of time, portions would be used for the benefit of at least one member of Circle's management. Between 1998 and 2007, Circle improperly retained and converted to its own use at least approximately \$500,000.00 in overpayments from various schools with which it did business, according to the Information. Drill said during his guilty plea that he was not aware of the amount of duplicate payments and did not receive any of that money.

Finally, Circle misreported helmet testing data for reconditioned helmets in order to lower Circle's costs and increase its profits.

Circle was a member of the National Athletic Equipment Reconditioners Association (NAERA), and as such, was supposed to recondition athletic helmets in accordance with guidelines and procedures established by the National Operating Committee on Safety in Athletic Equipment (NOCSAE). One of these guidelines was the requirement that a reconditioner such as Circle conduct impact tests on a "statistically relevant sample" of all the helmets that it reconditioned, which NAERA and NOCSAE believed to mean at least 2 percent of all helmets reconditioned.

As a member of NAERA, Circle was allowed to place stickers on each helmet that it reconditioned indicating that Circle had reconditioned the helmet in accordance with the procedures and guidelines established by NOCSAE. Circle was also supposed to pay a fee to NAERA and NOCSAE for each helmet that Circle reconditioned.

Over the years, Circle did not always follow the guidelines and procedures specified by NOCSAE for the reconditioning of helmets. For example, Circle conducted impact tests on less than 2 percent of the helmets that it reconditioned. Moreover, Circle submitted false and misleading information to NAERA and NOCSAE to conceal these facts. Circle also under-reported the number of helmets that it reconditioned so that it would pay less in fees to NAERA and NOCSAE.

Drill admitted that he was aware that Circle engaged in this aspect of fraud and submitted false information to NAERA and NOCSAE.

#### NOTICE TO POTENTIAL VICTIMS:

If you were a customer of Circle Systems Group, Inc., your organization could be a victim in this case. If you believe that you might be a victim, please email your name, address, phone number and a brief description of how you feel that are involved in this case to [CircleVictim@ic.fbi.gov](mailto:CircleVictim@ic.fbi.gov) and someone will be in contact with you.

The case is being prosecuted by Senior Litigation Counsel John M. Fietkiewicz of the Office's Special Prosecutions Division.

Acting U.S. Attorney Marra credited Special Agents with the U.S. Department of Education Office of Inspector General, under the direction of Acting Inspector General Jerry G. Bridges in Washington; and Special Agents of the FBI in Newark, under the direction of Special Agent in Charge Weysan Dun, with the Circle Systems investigation.

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Defense Counsel: Joseph T. Afflitto, Sr., Esq., Wayne, N.J.