

NEWS

United States Department of Justice
U.S. Attorney, District of New Jersey
402 East State Street, Room 430
Trenton, New Jersey 08608



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

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Assistant U.S. Attorneys:

SETH B. KOSTO

EREZ LIEBERMANN

973-645-2737 and 973-645-2874, respectively

lott0810.rel

FOR IMMEDIATE RELEASE

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Former Telecommunications Project Manager
Pleads Guilty to \$1 Million Fraud Scheme

(More)

Greg Reinert, PAO
Public Affairs Office

856-757-5233
973-645-2888

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TRENTON – A former project manager for a national cellular telecommunications provider pleaded guilty today to an Information that charges him with receiving more than \$1 million in kickback payments from contractors and with evading taxes on portions of that income, Acting U.S. Attorney Ralph J. Marra, Jr., announced.

Stephen Lotter, 45, of Bordentown, pleaded guilty before U.S. District Judge Joel A. Pisano to a four-count Information that charges him with one count of mail fraud and three counts of tax evasion. Judge Pisano released the defendant on a \$100,000 bond pending sentencing, which is scheduled for Nov. 17.

At his plea hearing, Lotter admitted that he used his position to operate a scheme to defraud his former employer, a national cellular telecommunications provider identified in the Information only as “Company A.” Lotter admitted that, as a project manager, he had the authority to award projects on behalf of Company A for the construction, maintenance, and repair of its telecommunications facilities, such as cell towers, transmitters, and receivers (“Project Contracts”). Lotter admitted he also had the authority to approve payments to contractors working under his direction.

Beginning in January 2003, Lotter demanded and received kickback payments of up to 20 percent of the value of project contracts from several contractors, he admitted. Lotter admitted he assisted the contractors in recouping the cost of kickback payments by permitting the contractors to present fraudulent invoices for payment, which he then approved. Lotter admitted that the fraudulent invoices, which he approved, double-billed Company A for work that contractors had previously performed; billed for work that did not need to be performed; and billed for the purported purchase of telecommunications equipment that Lotter provided to contractors at no cost.

Furthermore, Lotter admitted that to obtain the telecommunications equipment that he provided at no cost to the contractors, who then billed Company A for the same equipment, he caused other Company A employees to ship surplus equipment to, among other places, his residence.

Lotter admitted that between January 2003 and February 2008, he received cash, check, and in-kind payments worth more than \$1 million, including a 2005 Porsche 911 Turbo S, and a 2008 Cadillac Escalade.

Regarding the tax offenses, Lotter admitted that he failed to declare approximately \$634,000 in kickback payments on federal income tax returns for tax years 2004, 2005, and 2006, upon which there is an additional total tax due and owed of approximately \$216,000 for those years.

As part of his plea, Lotter has agreed to forfeit approximately \$800,000 in cash, the Porsche, the Escalade, and a 2008 Harley Davidson motorcycle.

The charge of mail fraud carries a maximum statutory penalty of 20 years in prison and a fine of \$250,000. Each count of tax evasion carries a maximum penalty of 5 years in prison and a fine of \$250,000.

In determining an actual sentence, Judge Pisano will consult the Advisory U.S. Sentencing Guidelines, which provide appropriate sentencing ranges that take into account the severity and characteristics of the offense, the defendant's criminal history, if any, and other factors. The judge, however, is not bound by those guidelines and determining a sentence. Parole has been abolished in the federal system. Defendants who are given custodian terms must serve nearly all that time.

Marra credited Special Agents of the FBI, under the direction of Special Agent in Charge Weysan Dun in Newark, and Special Agents of the IRS Criminal Investigations Division, under the direction of Special Agent in Charge William P. Offord in Newark, with the ongoing investigation that resulted in Lotter's plea.

The government is represented by Assistant U.S. Attorneys Seth Kosto and Erez Liebermann of the U.S. Attorney's Office Criminal Division in Newark.

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Defense Attorney: Clifford Lazzaro, Esq., Freehold