Department of Justice

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FORMER BROKER TO THE ARCHDIOCESE OF NEW YORK PLEADS GUILTY TO FRAUD, TAX AND OBSTRUCTION OF JUSTICE CHARGES

WASHINGTON — A former consultant for the central purchasing agent of the Archdiocese of New York pleaded guilty today to eight fraud, tax and obstruction of justice charges, the Department of Justice announced. The former consultant, Joseph J. DeRusso, is the last of four defendants to plead guilty to charges contained in a nine-count indictment filed on January 5, 2006.

DeRusso, of Florham Park, N.J., pleaded guilty today before Judge William H. Pauley III of the U.S. District Court in Manhattan. The plea agreement recommends that DeRusso receive a sentence between 57 and 71 months in prison. Sentencing is scheduled to take place on November 17, 2006. In the plea agreement, DeRusso acknowledged that he also engaged in conduct relating to tax crimes and obstruction of justice, with which he was not charged in the original indictment. He also agreed to file amended tax returns to account for income he failed to report to the Internal Revenue Service.

The indictment charged DeRusso and his co-defendants—Vincent J. Heintz and Nanette B. Melera, both of Briarcliff Manor, N.Y.; and Michael J. O'Shaughnessy of Queens, N.Y.—with using their positions as employees and consultants at Institutional Commodity Services Inc. (ICS), the purchasing arm of the archdiocese, to defraud the archdiocese of more than $2 million from 1996 until 2004. Heintz, Melera and O'Shaughnessy, who previously pleaded guilty, are scheduled to be sentenced on September 6, 2006.

According to the charges, numerous vendors doing business with the ICS were required to pay DeRusso more than $1.2 million, ostensibly as commissions, which DeRusso secretly shared with the others charged. Of this money, at least $385,000 was paid in cash. The prices charged to ICS included the amount of the commissions, which resulted in the archdiocese paying artificially inflated prices for the goods and services procured by DeRusso. In addition, DeRusso and his co-defendants embezzled more than $1 million from the archdiocese through a self-dealing scheme in which they diverted funds earmarked to buy food for the children enrolled in the archdiocese's schools to companies they secretly owned and controlled.

DeRusso, along with Heintz, the former general manager of ICS, conspired to defraud the Internal Revenue Service by arranging to receive at least $250,000 in cash from a vendor to ICS, which DeRusso failed to report as income. DeRusso also pleaded guilty to tax evasion for the years 1999 through 2002, based on his failure to report cash received from vendors as part of the self-dealing scheme. Finally, DeRusso was charged with and pleaded guilty to obstruction of justice when, after learning of the investigation, he gave a representative of a milk and juice vendor a backdated contract in an attempt to conceal the true nature of prior cash payments made by the vendor.

The mail fraud charge and the mail fraud conspiracy charge each carry a maximum penalty of 20 years in prison, a $250,000 fine, or both. The tax fraud conspiracy charge carries a maximum penalty of five years in prison, a $250,000 fine, or both. Each of the tax evasion counts carries a maximum penalty of five years in prison, a $100,000 fine, or both, together with the costs of prosecution. The obstruction of justice charge has a maximum penalty of 20 years in prison, a $250,000 fine, or both.

The ongoing investigation of food distributors and suppliers of other goods and services to various not-for-profit entities in the New York metropolitan area is being conducted by the Antitrust Division's New York Field Office, with the assistance of the Federal Bureau of Investigation and the Internal Revenue Service. The Archdiocese of New York cooperated with the Department's investigation.

Anyone with information concerning fraud or tax offenses in the food distribution industry should contact the Federal Bureau of Investigation at 212-384-2219 or the New York Office of the Antitrust Division at 212-264-3179.

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