



U.S. Department of Justice

United States Attorney

Eastern District of Pennsylvania

*615 Chestnut Street
Suite 1250
Philadelphia, Pennsylvania 19106-4476
(215) 861-8200*

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FRAUD SCHEME RESULTS IN PRISON TERM

John R. Pignotti, 51, of Philadelphia, was sentenced today to 44 months in prison for mail fraud and aggravated identity theft. Pignotti orchestrated a scheme to steal money from his former employers, and stole the personal identifying information of real people to further his scheme. Between October 2007 and April 2010, Pignotti stole more than \$600,000 from two New York-based security firms who hired, trained, and entrusted him with operating their Philadelphia-based branches.

Pignotti was working as a branch manager at a security firm ("Firm No. 1") in Bala Cynwyd, Pennsylvania when, in October 2007, he implemented a "ghost payroll" scheme. He generated fraudulent payrolls that included hours worked by former security guards who were not employed by Firm No. 1 during the relevant time periods, and faxed the fraudulent payrolls to Firm No. 1's headquarters in Lexington, New York. Pignotti used the personal identifying information (names, social security numbers, and addresses) of real people (i.e., Firm No. 1's former security guards) to generate the fraudulent payroll. Pignotti caused Firm No. 1's New York headquarters to mail fraudulent invoices to the Pennsylvania-based clients and to cut fraudulent paychecks and mail them to Pignotti. Pignotti endorsed the checks and gave them to one of his associates, who cashed the checks at a local check cashier and then distributed a share of the "ghost employee" overbillings to Pignotti. Firm No. 1's estimated actual loss is approximately \$111,000.

Pignotti quit Firm No. 1 on October 8, 2008, after management confronted him about client complaints of inflated bills. The very next day, another security firm ("Firm No. 2"), one of Firm No. 1's competitors, hired Pignotti and tasked him with opening and running Firm No. 2's Philadelphia office. While employed by Firm No. 2, Pignotti created fictitious clients and fictitious security guards and billed Firm No. 2 for the fictitious hours the security guards allegedly worked for the fictitious clients. For example, Pignotti created a client, "H&B Towers," a nonexistent entity, and billed approximately 168 hours weekly to that account. Pignotti created fake sign-in sheets and payroll records for guards at the "H&B Towers," and mailed them, along with the other false payroll records, to Firm No. 2's payroll agency located in Long Island, New York, which generated paychecks that were then mailed to Pignotti. Pignotti endorsed the majority of the resulting paychecks and cashed them at a Philadelphia check cashier. In total, Pignotti caused Firm No. 2 an estimated actual loss of approximately \$503,000.

In addition to the prison term, U.S. District Court Judge Joel H. Slomsky ordered Pignotti to pay restitution in the amount of \$614, 397.05, a \$200 special assessment, 100 hours of community service, and three years supervised release.

The case was investigated by the United States Postal Inspection Service and United States Secret Service, and is being prosecuted by Assistant United States Attorney Kevin R. Brenner.

**UNITED STATES ATTORNEY'S OFFICE
EASTERN DISTRICT, PENNSYLVANIA
Suite 1250, 615 Chestnut Street
Philadelphia, PA 19106**

**Contact: PATTY HARTMAN
Media Contact
215-861-8525**