



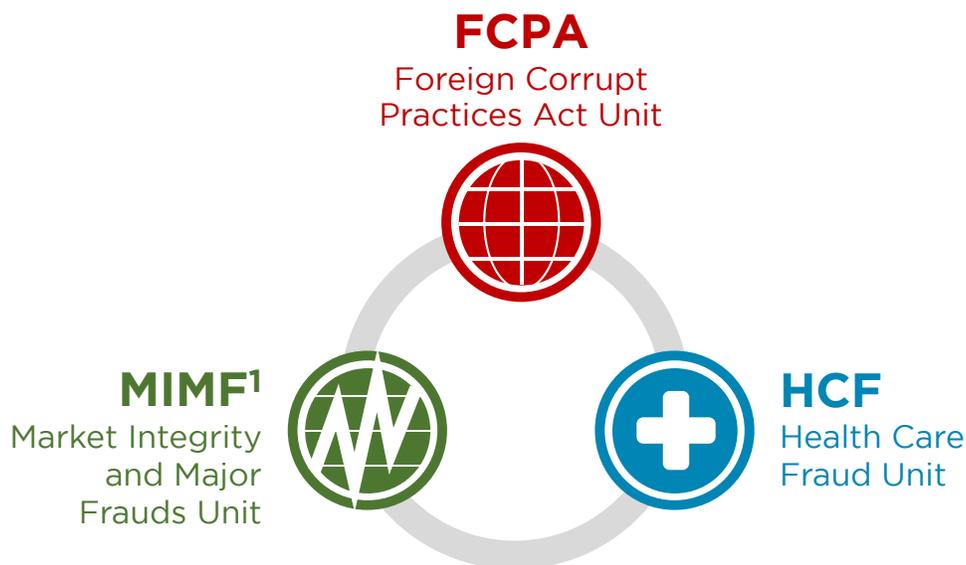
Fraud Section Year In Review | 2019

Welcome to the Fraud Section

The Fraud Section is a national leader in the Department of Justice's fight against economic crime. As the Department's office with the largest number of white-collar prosecutors, the Fraud Section focuses on the prosecution of complex and sophisticated securities, commodities, and other financial fraud cases; foreign bribery offenses; and complex, multi-jurisdictional health care fraud, Anti-Kickback Statute, and opioid cases in federal courts around the country, routinely charging and resolving cases of both national and international significance and prominence.

Located in Washington, D.C., the Fraud Section employs over 150 prosecutors and has over 120 federal and contract support staff.

The Fraud Section has three litigating units:



<http://www.justice.gov/criminal-fraud>

¹ In October 2019, the Fraud Section announced that the Securities and Financial Fraud (SFF) Unit would be renamed the Market Integrity and Major Frauds (MIMF) Unit to more accurately reflect the diversity of the MIMF Unit's concentrations: (1) commodities; (2) consumer, regulatory, and investment fraud; (3) financial institutions; (4) government procurement fraud and bribery; and (5) securities. For ease of reference, the term MIMF Unit in this document will refer to both the SFF Unit and the MIMF Unit.



The **Foreign Corrupt Practices Act (FCPA) Unit** has primary jurisdiction among the Department components in prosecuting FCPA matters. The FCPA Unit and the Securities and Exchange Commission (SEC) share FCPA enforcement authority and are committed to fighting foreign bribery through robust enforcement. An important component of this effort is education and assisting to develop FCPA enforcement policy.



The **Health Care Fraud (HCF) Unit** focuses on the prosecution of health care fraud and opioid-related cases involving patient harm, large financial loss to the public fisc, and/or the illegal prescription and distribution of opioids. In 2020, the HCF Unit will operate 15 Health Care Fraud and Prescription Opioid Strike Forces in 24 federal judicial districts across the United States.



The **Market Integrity and Major Frauds (MIMF) Unit** focuses on the prosecution of complex and sophisticated securities, commodities, corporate, and investment fraud cases. The MIMF Unit works closely with regulatory partners at the SEC, Commodity Futures Trading Commission (CFTC), and other agencies to tackle major national and international fraud schemes. In carrying out this mission, the MIMF Unit has brought a number of significant prosecutions against corporate executives for securities and accounting fraud, as well as cases involving market manipulation and commodities fraud in the financial services industry. The MIMF Unit also focuses on combatting a broader array of financial and corporate fraud, including government procurement fraud, bank fraud, mortgage fraud, and consumer fraud.

In addition, the Fraud Section has two units that support and enhance the missions of the three litigating units:

The **Strategy, Policy & Training (SPT) Unit** partners with the Section's management and litigating units to develop and implement strategic enforcement initiatives, policies, and training to: (1) strengthen Fraud Section prosecutors' ability to more effectively and efficiently investigate and prosecute cases against individuals and companies; and (2) deter corporate misconduct and encourage compliant behavior. The SPT Unit assists the litigating units on all corporate resolutions and post-resolution matters, including monitorships and compliance-related issues.

The **Administration & Management Unit** provides critical support services across the Fraud Section, and routinely advises and assists management on administrative matters.



478 Individuals CHARGED

FCPA



34

HCF



344

\$4.1 billion in
alleged fraud loss

MIMF



100



256 Individuals CONVICTED

by Guilty Plea and at Trial

FCPA



30

HCF



183

MIMF



43



37 Trial CONVICTIONS

FCPA



4

HCF



24

MIMF



9

37 TOTAL Trials Involving: **45** TOTAL Individuals | **37** Individuals CONVICTED

² The summary statistics in this document exclude sealed cases. With respect to all charged individual cases referenced in this document, individual defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

Summary of 2019 Fraud Section Corporate Resolutions³



15 CORPORATE RESOLUTIONS

FCPA



7

MIMF



8

Involving the Imposition of⁴:

Total Global Monetary Amounts of more than

\$3.2 billion

Total U.S. Monetary Amounts of more than

\$2.9 billion

Total U.S. Criminal Monetary Amounts of more than

\$1.9 billion

FCPA



\$2.8 billion

\$2.56 billion

\$1.62 billion

MIMF



\$384 million

\$384 million

\$303 million

³ The summary statistics in this document provide approximate dollar amounts for all referenced corporate resolutions that were announced in calendar year 2019. All Fraud Section corporate resolutions are available on our website at: <https://www.justice.gov/criminal-fraud>.

⁴ As used in this document and in Fraud Section corporate resolution papers, the terms “Total Global Monetary Amount,” “Total U.S. Monetary Amount,” and “Total U.S. Criminal Monetary Amount” are defined as follows:

- “**Total Global Monetary Amounts**” are the total enforcement action amounts payable to both: (1) U.S. criminal and civil authorities; and (2) foreign criminal and civil authorities.
- “**Total U.S. Monetary Amounts**” are the total enforcement action amounts payable to U.S. criminal and civil authorities.
- “**Total U.S. Criminal Monetary Amounts**” are the total criminal enforcement amounts payable to: (1) Department of Justice; and (2) victims, pursuant to a plea agreement, Deferred Prosecution Agreement (DPA), or Non-Prosecution Agreement (NPA). The Total U.S. Criminal Monetary Amount may include any or a combination of the following monetary components: criminal fine, criminal monetary penalty, criminal forfeiture, criminal disgorgement, restitution, and victim compensation payments.

Timeline of Fraud Section Corporate Resolutions

2019

(FCPA) Mobile TeleSystems PJSC (MTS) and Kolorit Dizayn Ink LLC | **3.7.2019**

- DPA - MTS (S.D.N.Y.)
- Plea - Kolorit Dizayn Ink LLC (S.D.N.Y.)
- Total Global Monetary Amount: **\$850,000,000**
- U.S. Criminal Monetary Amount: **\$750,000,000**

(FCPA) Fresenius Medical Care AG & Co. KGaA | **3.29.2019**

- NPA
- Total Global Monetary Amount: **\$231,715,273**
- U.S. Criminal Monetary Amount: **\$84,715,273**

(MIMF) Hydro Extrusion USA, LLC and Hydro Extrusion Portland, Inc. | **4.23.2019**

- DPA - Hydro Extrusion USA, LLC f/k/a Sapa Extrusions Inc. (E.D. Va.)
- Guilty Plea - Hydro Extrusion Portland, Inc. f/k/a Sapa Profiles Inc. (E.D. Va.)
- Total Global Monetary Amount **\$46,945,100**
- U.S. Criminal Monetary Amount: **\$35,945,100**

(MIMF) Merrill Lynch Commodities, Inc. | **6.25.2019**

- NPA
- Total Global Monetary Amount: **\$36,500,000**
- U.S. Criminal Monetary Amount: **\$25,000,000**

(FCPA) Microsoft Hungary | **7.22.2019**

- NPA
- Total Global Monetary Amount: **\$25,316,946**
- U.S. Criminal Monetary Amount: **\$8,751,795**

(MIMF) Tower Research Capital LLC | **11.7.2019**

- DPA (S.D. Tex.)
- Total Global Monetary Amount: **\$67,493,849**
- U.S. Criminal Monetary Amount: **\$43,093,849**

(MIMF) UniTrans International, Inc. | **12.4.2019**

- NPA
- Total Global Monetary Amount: **\$45,000,000**
- U.S. Criminal Monetary Amount: **\$31,500,000**

3.6.2019 | **Baton Holdings LLC (MIMF)**

- NPA
- Total Global Monetary Amount: **\$43,540,000**
- U.S. Criminal Monetary Amount: **\$28,540,000**

3.12.2019 | **Lumber Liquidators Holdings, Inc. (MIMF)**

- DPA (E.D. Va.)
- Total Global Monetary Amount: **\$33,000,000**
- U.S. Criminal Monetary Amount: **\$26,902,701**

4.25.2019 | **Celadon Group Inc. (MIMF)**

- DPA (S.D. Ind.)
- Total Global Monetary Amount: **\$42,245,302**
- U.S. Criminal Monetary Amount: **\$42,245,302**

6.20.2019 | **WalMart Inc. and WMT Brasilia (FCPA)**

- NPA - WalMart Inc.
- Guilty Plea—WMT Brasilia (E.D. Va.)
- Total Global Monetary Amount: **\$282,646,421**
- U.S. Criminal Monetary Amount: **\$137,955,249**

6.25.2019 | **TechnipFMC plc & Technip USA, Inc. (FCPA)**

- DPA - TechnipFMC plc. (E.D.N.Y.)
- Guilty Plea - Technip USA, Inc. (E.D.N.Y.)
- Total Global Monetary Amount: **\$301,245,906**
- U.S. Criminal Monetary Amount: **\$81,852,966.83**

10.30.2019 | **ContextMedia Health LLC (d/b/a Outcome Health) (MIMF)**

- NPA
- Total Global Monetary Amount: **\$70,000,000**
- U.S. Criminal Monetary Amount: **\$70,000,000**

11.22.2019 | **Samsung Heavy Industries Company Ltd. (FCPA)**

- DPA (E.D. Va.)
- Total Global Monetary Amount: **\$75,481,600**
- U.S. Criminal Monetary Amount: **\$37,740,800**

12.6.2019 | **Telefonaktiebolaget LM Ericsson and Ericsson Egypt Ltd. (FCPA)**

- DPA - Telefonaktiebolaget LM Ericsson (S.D.N.Y.)
- Plea - Ericsson Egypt Ltd. (S.D.N.Y.)
- Total Global Monetary Amount: **\$1,060,570,432**
- U.S. Criminal Monetary Amount: **\$520,650,432**

Fraud Section Senior Management



Robert Zink, Fraud Section Chief

Robert Zink joined the Fraud Section in 2010. Zink became the Chief in January 2019 after being appointed Acting Principal Deputy Chief in May 2017 and after serving as an Assistant Chief in both the HCF and MIMF Units. Prior to joining the Department, Zink worked in private practice at a law firm in Washington, D.C., and clerked on the Eighth Circuit Court of Appeals.

Joseph Beemsterboer, Fraud Section Senior Deputy Chief

Joseph Beemsterboer joined the Fraud Section in 2010. Beemsterboer became the Senior Deputy Chief in July 2019 after serving as the Chief of the HCF Unit since July 2016. He previously served as an Assistant Chief in the HCF Unit. Prior to joining the Department, Beemsterboer worked in private practice at a law firm in Washington, D.C.

Daniel Kahn, Fraud Section Senior Deputy Chief

Daniel Kahn joined the Fraud Section in 2010. Kahn became the Senior Deputy Chief in July 2019 after serving as the Chief of the FCPA Unit since March 2016. Before that, Kahn served as an Assistant Chief in the FCPA Unit since 2013. He previously worked in private practice at a law firm in New York.

Christopher Cestaro, FCPA Unit Chief

Christopher Cestaro joined the Fraud Section in 2012. Cestaro became the Chief of the FCPA Unit in 2019 after serving as an Assistant Chief in the unit since 2017. He previously worked in private practice at a law firm and as a compliance counsel at a company in Washington, D.C.

Brian Kidd, MIMF Unit Chief

Brian Kidd joined the Fraud Section in 2015. Kidd became the Chief of the MIMF Unit in May 2018, after serving as an Assistant Chief in the MIMF Unit since 2017. Prior to joining the Fraud Section, Kidd was a Trial Attorney in the Public Integrity Section of the Criminal Division and an AUSA in the U.S. Attorney's Office for the District of Puerto Rico. Prior to joining the Department, Kidd clerked in the District of Puerto Rico and worked in private practice at two law firms in New York.

Allan Medina, HCF Unit Chief

Allan Medina joined the Fraud Section in 2012. Medina became the Chief of the Health Care Fraud Unit in December 2019. He previously served as the Assistant Chief in nine different Strike Force cities. Prior to joining the Department, he worked in private practice at a law firm in Miami, Florida.

Sally Molloy, SPT Unit Chief

Sally Molloy joined the Fraud Section in 2016. Molloy became the Chief of the SPT Unit in January 2019, after serving as an Assistant Chief in the HCF Unit since 2016. Prior to joining the Fraud Section, Molloy was an AUSA in the U.S. Attorney's Office for the Northern District of Georgia and a Trial Attorney in the Antitrust Division's Atlanta Criminal Field Office.

Christina Weidner, A&M Unit Chief

Christina Weidner joined the Fraud Section in 2018 as the Chief of the Administration and Management Unit. Prior to joining the Department, she worked for the Administrative Office of the U.S. Courts in the Case Management Systems office as the Chief of the Business Support Division.

Brian Young, Chief of Litigation

Brian Young joined the Fraud Section in 2010. Young became the Deputy Chief for Litigation in 2019 after serving as an Assistant Chief in the SFF Unit. Prior to joining the Criminal Division, Young worked for the Civil Division of the Department of Justice and clerked on the Sixth Circuit Court of Appeals.





The FCPA Unit's 36 prosecutors investigate and prosecute cases under the FCPA and related statutes. Given the global nature of our economy, corruption abroad poses a serious threat to American citizens and companies that are trying to compete in a fair and transparent marketplace. Transnational corruption also empowers corrupt regimes and leads to destabilization of foreign governments, which can result in significant threats to America's national security. Our prosecutors cooperate with international law enforcement partners to fight foreign bribery offenses committed by both American and foreign individuals and companies, and have coordinated significant corporate resolutions with foreign law enforcement over the past several years. Our prosecutors also conduct trainings for foreign law enforcement authorities to help them more effectively combat transnational corruption. For example, this past year the FCPA Unit and the SEC conducted a two-day foreign bribery training for over 100 Brazilian law enforcement personnel in Brasilia.

 <http://www.justice.gov/criminal-fraud/foreign-corrupt-practices-act>

FCPA Unit Statistics 2019

INDIVIDUAL
PROSECUTIONS



34 Individuals
CHARGED

30 Individuals
CONVICTED

26 Individuals
PLEADED GUILTY

4 Individuals
CONVICTED AT TRIAL



CORPORATE
RESOLUTIONS

7

CORPORATE RESOLUTIONS Involving the Imposition of:



Total Global Monetary Amounts of more than **\$2.8 billion**

Total U.S. Monetary Amounts of more than **\$2.5 billion**

Total U.S. Criminal Monetary Amounts of more than **\$1.6 billion**

2

DECLINATIONS UNDER THE FCPA CORPORATE ENFORCEMENT POLICY in which two companies agreed to disgorgement of illicit profits, prejudgment interest, and penalties totaling approximately **\$37.7 million** to the SEC and DOJ.

Foreign Corrupt Practices Act Unit

Significant Corporate Resolutions

Ericsson

In December 2019, Telefonaktiebolaget LM Ericsson (Ericsson), a Swedish telecommunications company, entered into a deferred prosecution agreement (DPA) and paid a criminal penalty of approximately \$520 million to resolve charges related to FCPA violations in Djibouti, China, Vietnam, Indonesia, and Kuwait. An Ericsson subsidiary, Ericsson Egypt Ltd, pleaded guilty on the same day to a one-count criminal information charging it with conspiracy to violate the anti-bribery provisions of the FCPA. Together with approximately \$540 million in disgorgement and prejudgment interest that the company paid to the SEC in connection with the scheme, the total penalties paid to U.S. authorities exceeded \$1 billion. Beginning in 2000 and continuing until 2016, the Company conspired with others to violate the FCPA by engaging in a longstanding scheme to pay bribes, to falsify books and records, and to fail to implement reasonable internal accounting controls. Ericsson used third party agents and consultants to make bribe payments to government officials and/or to manage off-the-books slush funds. These agents were often engaged through sham contracts and paid pursuant to false invoices, and the payments to them were improperly accounted for in Ericsson's books and records. Under the terms of the DPA, Ericsson has agreed to continue to cooperate with the DOJ in any ongoing investigations and prosecutions relating to the conduct, to enhance its compliance program, and to retain an independent compliance monitor for three years. This is a joint case with the U.S. Attorney's Office for the Southern District of New York.

MTS

In March 2019, Mobile TeleSystems PJSC (MTS) agreed to pay a combined total penalty of \$850 million, of which \$750 million was paid in connection with DOJ's criminal resolution covering MTS's violations of the anti-bribery, books and records, and internal controls provisions of the FCPA. The company paid \$100 million to the SEC in connection with its related civil resolution.

These violations enabled MTS, through its executives and officers, to facilitate a massive bribery scheme involving the payment of \$420 million in bribes to Gulnara Karimova, the daughter of the former President of Uzbekistan, who had influence over the Uzbek governmental body that regulated the telecommunications industry. The bribes were paid on multiple occasions between 2004 and 2012 so that MTS could enter the Uzbek market, gain valuable telecommunications assets, and continue operating in Uzbekistan. In connection with the resolution, MTS entered into a three-year deferred prosecution agreement (DPA) with the DOJ, while KOLORIT DIZAYN INK LLC, a wholly owned Uzbek subsidiary of MTS, pleaded guilty to FCPA charges. MTS also agreed to the imposition of an independent compliance monitor for a term of three years and to implement rigorous internal controls.

In addition, Karimova and Bekhzod Akhmedov, the former CEO of Uzdunrobita LLC, another MTS subsidiary, were indicted for their participation in a bribery and money laundering scheme involving more than \$865 million in bribes from MTS and two other telecommunications companies that had previously entered into resolutions with the DOJ, VimpelCom and Telia, to Karimova in order to secure her assistance in entering and maintaining their business operations in Uzbekistan's telecommunications market. This is a joint case with the Criminal Division's Money Laundering and Asset Recovery Section and the U.S. Attorney's Office for the Southern District of New York.

TechnipFMC

In June 2019, TechnipFMC plc (TFMC), a global provider of oil and gas services, and its wholly-owned U.S. subsidiary, Technip USA, Inc. (Technip USA), agreed to pay a penalty of approximately \$296 million to resolve criminal charges with the DOJ, of which approximately \$214 million was credited to the company's related resolution with Brazilian authorities. TFMC is the product of a 2017 merger between two predecessor companies, Technip S.A. (Technip) and FMC Technologies, Inc. (FMC). In connection with the resolution, Technip entered into a three-year deferred prosecution agreement (DPA) with the DOJ, while Technip USA pleaded guilty with respect to its conduct. The charges arose out of two independent bribery schemes: a scheme by Technip to pay bribes to Brazilian officials and a scheme by FMC to pay bribes to officials in Iraq. One former consultant for Technip and two former intermediaries for FMC pleaded guilty to conspiracy to violate the FCPA in relation to the bribery schemes. In September 2019, TechnipFMC agreed to pay an additional \$5 million to the SEC, bringing the total coordinated resolution amount to over \$300 million. This is a joint case with the U.S. Attorney's Office for the Eastern District of New York.

Foreign Corrupt Practices Act Unit

Significant Trials

United States v. Lawrence Hoskins (D. Conn.): Trial Conviction

In November 2019, a federal jury convicted Lawrence Hoskins, a former Senior Vice President of the International Network division of Alstom SA, a French multinational power and transportation company, for his participation in a multi-year, multimillion-dollar scheme to bribe high-level officials in Indonesia to secure a \$118 million contract to build a power plant for Alstom Power Inc., a Connecticut-based subsidiary of Alstom. Hoskins was convicted of one count of conspiracy to violate the FCPA, six counts of violating the FCPA, one count of conspiracy to commit money laundering, and three counts of international promotional money laundering. The evidence at trial showed that Hoskins and his co-conspirators retained two consultants purportedly to provide legitimate consulting services on behalf of Alstom Power Inc., but in reality the purpose of hiring the consultants was to pay and conceal the bribes to Indonesian officials, including a high-ranking member of Indonesian Parliament. Initially, Hoskins and his co-conspirators retained one consultant, but after the first consultant did not effectively bribe all of the key officials, Hoskins and his co-conspirators brought in a second consultant to pay bribes to certain of the officials. Alstom Power Inc. secured the project and the consultants paid the bribes as planned. Hoskins awaits sentencing. This is a joint case with the U.S. Attorney's Office for the District of Connecticut.

United States v. Mark Lambert (D. Md.): Trial Conviction

In November 2019, a federal jury convicted Mark Lambert, the former president of Transport Logistics International, Inc. (TLI), a Maryland-based transportation company, for his role in a scheme to bribe a Russian official at a subsidiary of Russia's State Atomic Energy Corporation called JSC Techsnabexport (TENEX) - the sole supplier and exporter of Russian Federation uranium and uranium enrichment services to nuclear power companies worldwide.



Lambert was convicted of four counts of violating the FCPA, two counts of wire fraud, and one count of conspiracy to violate the FCPA and commit wire fraud. The evidence at trial showed that, over the course of several years, Lambert conspired with others at TLI to make more than \$1.5 million in corrupt and fraudulent bribe payments to the Russian official in exchange for his help in securing contracts worth millions of dollars for TLI to transport uranium to and from Russia. In order to conceal those payments, Lambert and his co-conspirators caused fake invoices to be prepared, purportedly from TENEX to TLI, that described services that were never provided, and then Lambert and others caused TLI to wire the corrupt payments for those purported services to shell companies in Latvia, Cyprus, and Switzerland for the benefit of the Russian official. Lambert awaits sentencing. This is a joint case with the U.S. Attorney's Office for the District of Maryland.

United States v. Joseph Baptiste and Roger Richard Boncy (D. Mass.): Trial Convictions

In June 2019, a federal jury convicted Roger Richard Boncy, the chairman and CEO of an investment firm, and Joseph Baptiste, a member of the investment firm's board of directors, for their participation in a scheme to bribe officials of the Republic of Haiti in exchange for business advantages for the investment firm. Boncy and Baptiste were found guilty of one count of conspiracy to violate the FCPA and the Travel Act. Baptiste was also convicted of one count of violating the Travel Act and one count of conspiracy to commit money laundering.

According to evidence presented at trial, Boncy and Baptiste solicited bribes from undercover FBI agents posing as potential investors in connection with a proposed project to develop a port in the Môle St. Nicolas area of Haiti. The proposed project was expected to cost approximately \$84 million and was to involve several very large infrastructure construction projects. During a recorded meeting at a Boston-area hotel, Boncy and Baptiste told the agents that, in order to secure Haitian government approval of the project, they would funnel the bribes to Haitian officials through a non-profit entity that Baptiste controlled, which was based in Maryland and purported to help impoverished residents of Haiti. In intercepted telephone calls played during trial, Boncy and Baptiste discussed bribing an aide to a high-level elected official in Haiti with a job on the port development project, in exchange for the aide's help in obtaining the elected official's authorization for the project. Boncy and Baptiste also told the undercover agents that they would hide the bribes through money falsely earmarked for social programs. Baptiste and Boncy are awaiting sentencing. This is a joint case with the U.S. Attorney's Office for the District of Massachusetts.

Foreign Corrupt Practices Act Unit

Corruption Charges and Guilty Pleas

Venezuela

In 2019, DOJ announced seven guilty pleas and numerous charges against individuals who were involved in paying and laundering bribe payments to high-ranking officials in Venezuela, including officials of Venezuela's state-owned and state-controlled energy company, Petroleos de Venezuela S.A. (PDVSA), and its Houston-based subsidiary, Citgo Petroleum Corporation (Citgo), as well as Venezuela's state-owned and state-controlled electricity company, Corporación Eléctrica Nacional S.A. (Corpoelec), in exchange for business.

In February 2019, Franz Herman Muller Huber and Rafael Enrique Pinto Franceschi were charged in a five-count indictment with conspiracy to violate the FCPA, conspiracy to commit wire fraud, substantive counts of wire fraud, and conspiracy to commit money laundering for their roles in a scheme to bribe PDVSA officials in exchange for business advantages. Both subsequently entered guilty pleas in connection with the case. Muller and Pinto, who were the president and a sales representative, respectively, of a Miami-based company that served as a supplier to PDVSA, conspired with others to bribe three PDVSA officials in exchange for PDVSA contracts, inside information, and payment on past due invoices. Pinto and Muller also received kickbacks in connection with the scheme. Two of the three officials that Pinto and Muller bribed – Jose Camacho and Ivan Guedez – previously entered guilty pleas in connection with the case and are pending sentencing.

In May 2019, Jose Manuel Gonzalez Testino, a dual U.S.-Venezuelan citizen, pleaded guilty to multiple charges in connection with his role in a scheme to bribe officials with PDVSA and Citgo to corruptly secure and retain energy and logistics contracts. Gonzalez controlled a number of U.S. and international companies that provided goods and services to PDVSA. As part of his plea, Gonzalez admitted to paying bribes to multiple PDVSA and Citgo officials in exchange for business advantages, including contracts, inside information, and priority over other vendors to receive payments. Gonzalez was originally charged by complaint in July 2018.

In June 2019, Luis Alfredo Motta Dominguez and Eustiquio Jose Lugo Gomez, a former Venezuelan government minister and a former officer at Corpoelec, respectively, were charged in an indictment for their alleged roles in laundering the proceeds of violations of the FCPA and Venezuelan bribery law in connection with their alleged receipt of bribes to award Corpoelec business to U.S.-based companies. According to the indictment, Motta and Lugo awarded three Florida-based companies more than \$60 million in procurement contracts with Corpoelec in exchange for bribes paid to them or for their benefit. The indictment followed the guilty pleas of two businessmen, Jesus Ramon Veroes and Luis Alberto Chacin Haddad, for conspiring to violate the FCPA in connection with the corrupt payment scheme at Corpoelec.

Also in June 2019, the October 2016 guilty plea of Darwin Enrique Padron Acosta, a Venezuelan citizen and Miami resident, was unsealed. Padron pleaded guilty to paying millions of dollars in bribes to multiple PDVSA officials in exchange for business advantages, including contracts and inside information.

In July 2019, two Colombian businessmen, Alex Nain Saab Moran and Alvaro Pulido Vargas, were charged in an indictment for their alleged roles in laundering the proceeds of violations of the FCPA and Venezuelan bribery law in connection with a scheme to pay bribes to take advantage of Venezuela's government-controlled exchange rate. Saab and Pulido conspired with others to launder the proceeds of an illegal bribery scheme relating to a contract they obtained with the Venezuelan government in November 2011 to build low-income housing units. The defendants and their co-conspirators then allegedly took advantage of Venezuela's government-controlled exchange rate, under which U.S. dollars could be obtained at a favorable rate, by submitting false and fraudulent import documents for goods and materials that were never imported into Venezuela and bribing Venezuelan government officials to approve those documents.

In September 2019, charges were unsealed against Javier Alvarado Ochoa, Paulo Jose Da Costa Casquero Murta, and Daisy Teresa Rafoi Bleuler, who were charged as part of a superseding indictment in connection with an international money laundering scheme involving bribes paid by the owners of U.S.-based companies to Venezuelan government officials to corruptly secure PDVSA energy contracts and payment priority on outstanding invoices. Alvarado, the former president of PDVSA procurement subsidiary Bariven S.A., along with Murta and Rafoi, were added as defendants to an indictment returned in August 2017, charging five other former Venezuelan government officials as part of the scheme. Alvarado and Murta were arrested overseas in May 2019, and Rafoi was arrested overseas in July 2019.

In November 2019, Gustavo Adolfo Hernandez Frieri, the owner of multiple financial firms, pleaded guilty to conspiracy to commit money laundering for his role in laundering the proceeds of bribe payments made to Abraham Edgardo Ortega, a former executive director at PDVSA. Frieri was indicted in August 2018, along with seven other co-defendants, including Ortega who pleaded guilty in October 2018.

Prior to 2019, the DOJ announced the guilty pleas of 19 other individuals in connection with the ongoing probe into corruption at PDVSA. These cases are being prosecuted with the U.S. Attorney's Offices for the Southern Districts of Florida and Texas

Ecuador

In 2019, the DOJ charged seven individuals and announced seven guilty pleas of persons involved in paying bribes to public officials of PetroEcuador—the state-owned and state-controlled oil company of the Republic of Ecuador—and laundering the bribe proceeds in and through the United States. Since 2017, thirteen individuals have been charged in the government's ongoing investigation into pervasive corruption at PetroEcuador, all of whom have pleaded guilty.

The individuals who have been held to account for their roles in the bribery and money laundering schemes include former PetroEcuador officials who received and concealed the bribe payments, businessmen and contractors who paid the bribes to obtain lucrative oil services contracts from PetroEcuador, and intermediaries who enabled and facilitated the bribery through the use of U.S. and offshore companies and bank accounts.

For example, Frank Roberto Chatburn Ripalda, a U.S. financial advisor residing in Miami, pleaded guilty in October 2019 to a money laundering conspiracy in connection with his paying and intermediating bribes from Odebrecht S.A. and another Ecuadorian company to senior Ecuadorian officials. In December 2019, Chatburn was sentenced to 42 months in prison.

Additionally, in May 2019, Armengol Alfonso Cevallos Diaz and Jose Melquiades Cisneros Alarcon were indicted on FCPA and money laundering charges in connection with their roles in paying and intermediating bribes from several companies to PetroEcuador officials. Cevallos and Cisneros laundered these bribes in and through the United States and used bribe proceeds to purchase properties in Miami, Florida, for the benefit of PetroEcuador officials. In August 2019, Cisneros pleaded guilty to money laundering conspiracy, and in January 2020, Cevallos pleaded guilty to one count of conspiracy to violate the FCPA and one count of money laundering conspiracy.

The cases were prosecuted with the Criminal Division's Money Laundering and Asset Recovery Section and the U.S. Attorney's Offices for the Southern District of Florida and the Eastern District of New York.

Foreign Corrupt Practices Act Unit

FCPA Corporate Enforcement Policy Declinations

Pursuant to the FCPA Corporate Enforcement Policy, the Fraud Section issued public declinations to two companies in 2019 – Cognizant Technology Solutions Corporation and Quad/Graphics Inc.

Cognizant Technology Solutions Corporation

In February 2019, the Fraud Section issued a declination letter to Cognizant Technology Solutions Corporation, a New Jersey-based public company, relating to bribery in India. The company voluntarily self-disclosed the conduct, cooperated with the investigation, and remediated. The SEC also resolved with Cognizant through a parallel civil proceeding, and the company agreed to pay the SEC a civil penalty, disgorgement, and prejudgment interest totaling approximately \$25 million. The company also disgorged an additional \$2.9 million to the DOJ.

Quad/Graphics Inc.

In September 2019, the Fraud Section issued a declination letter to Quad/Graphics Inc. (Quad), a Wisconsin-based public company, relating to bribery by its subsidiaries in Peru and China. The company voluntarily self-disclosed the conduct, cooperated with the investigation, and remediated. Quad disgorged to the SEC \$6.9 million in profits and \$959,160 in prejudgment interest, and paid the SEC a civil penalty of \$2 million.

Health Care Fraud Unit



The HCF Unit has more than 75 prosecutors whose core mission is to prosecute health care fraud and opioid-related cases involving patient harm, large financial loss to the public fisc, and/or the illegal prescription and distribution of opioids. The HCF Unit has a recognized and successful Strike Force Model for effectively and efficiently prosecuting health care fraud and opioid-related cases across the United States.

The Strike Force Model centers on a cross-agency collaborative approach, bringing together the investigative and analytical resources of the FBI, the Department of Health and Human Services Office of Inspector General (HHS-OIG), the Centers for Medicare & Medicaid Services, Center for Program Integrity (CMS/CPI), the Drug Enforcement Administration (DEA), and other agencies (e.g., IRS, Defense Criminal Investigative Service (DCIS), and state Medicaid Fraud Control Units (MFCUs)), along with the prosecutorial resources of U.S. Attorney's Offices and state and local law enforcement partners. The HCF Unit uses advanced data analytic techniques to identify aberrant billing levels in health care hot spots - districts with high levels of billing fraud - and target suspicious billing patterns, as well as emerging schemes and schemes that migrate from one community to another.

<https://www.justice.gov/criminal-fraud/health-care-fraud-unit>

HCF Unit Statistics 2019



344 Individuals
CHARGED



158 Medical professionals
CHARGED

66 for illegal opioid
prescriptions



4.1 Billion in alleged
LOSS



73 Million opioid pills allegedly
ILLEGALLY PRESCRIBED



183 Individuals
CONVICTED

159 Individuals
PLEADED GUILTY

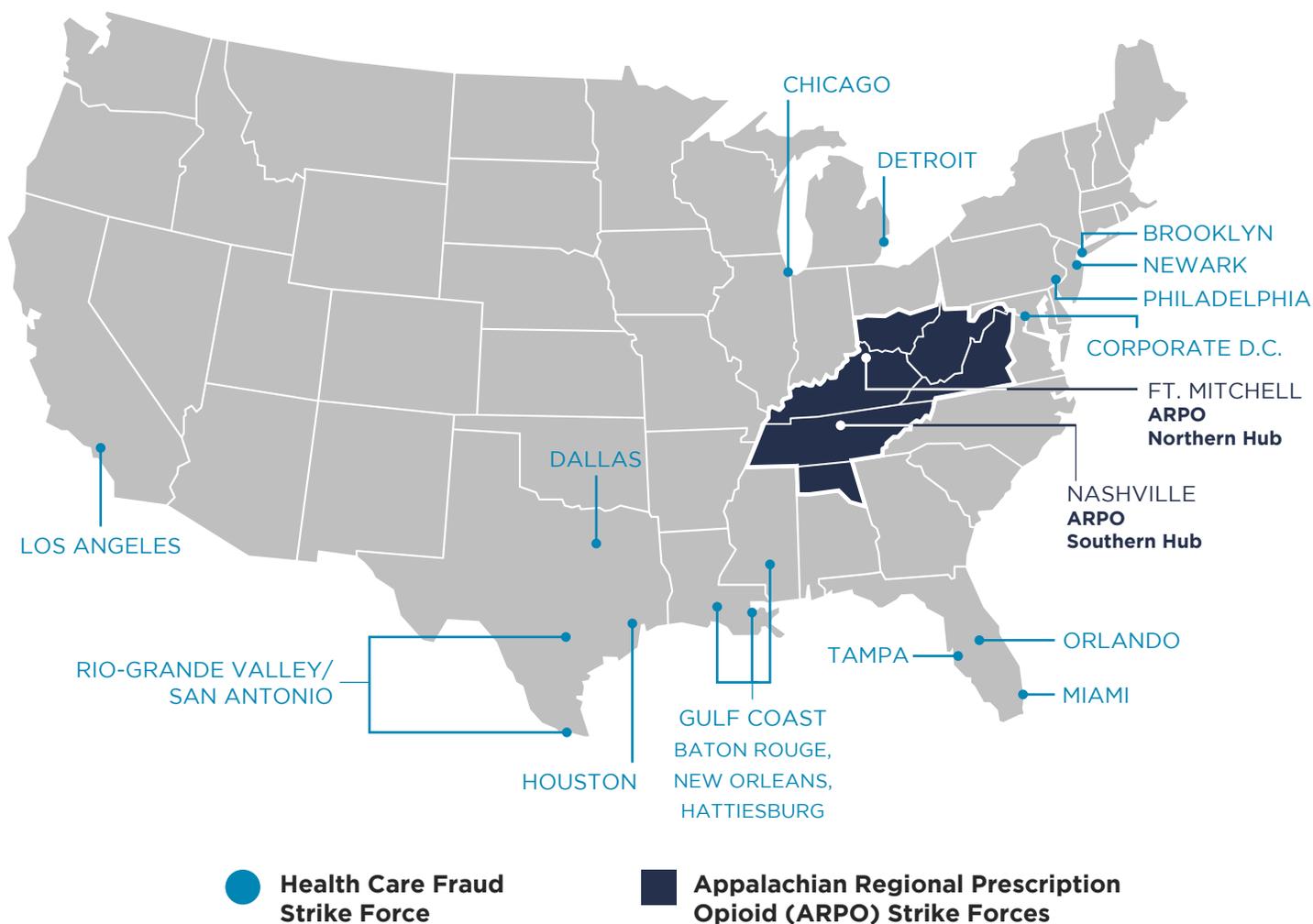
24 Individuals
CONVICTED AT TRIAL



In 2018, the Strike Force program expanded to Nashville and Fort Mitchell as part of the Appalachian Regional Prescription Opioid (ARPO) Strike Force, a joint effort between DOJ, HHS, FBI, DEA, and state law enforcement to combat health care fraud and the opioid epidemic in 9 districts¹. Following the first ARPO takedown discussed below, ARPO was expanded to include a 10th district -- the Western District of Virginia. In August 2019, Assistant Attorney General Brian Benczkowski announced the creation of the Rio Grande Valley/San Antonio Strike Force, in partnership with the Southern and Western Districts of Texas. In 2020, the HCF Unit, in partnership with the U.S. Attorney's Offices, will operate 15 Health Care Fraud and Prescription Opioid Strike Forces in 24 federal judicial districts across the United States.

The below map shows the Health Care Fraud and ARPO Strike Force locations.

Health Care Fraud Strike Force and Appalachian Regional Prescription Opioid (ARPO) Strike Force Map



¹ The initial nine ARPO Districts were: Southern District of Ohio, Western District of Kentucky, Eastern District of Kentucky, Northern District of West Virginia, Southern District of West Virginia, Western District of Tennessee, Middle District of Tennessee, Eastern District of Tennessee, and Northern District of Alabama.

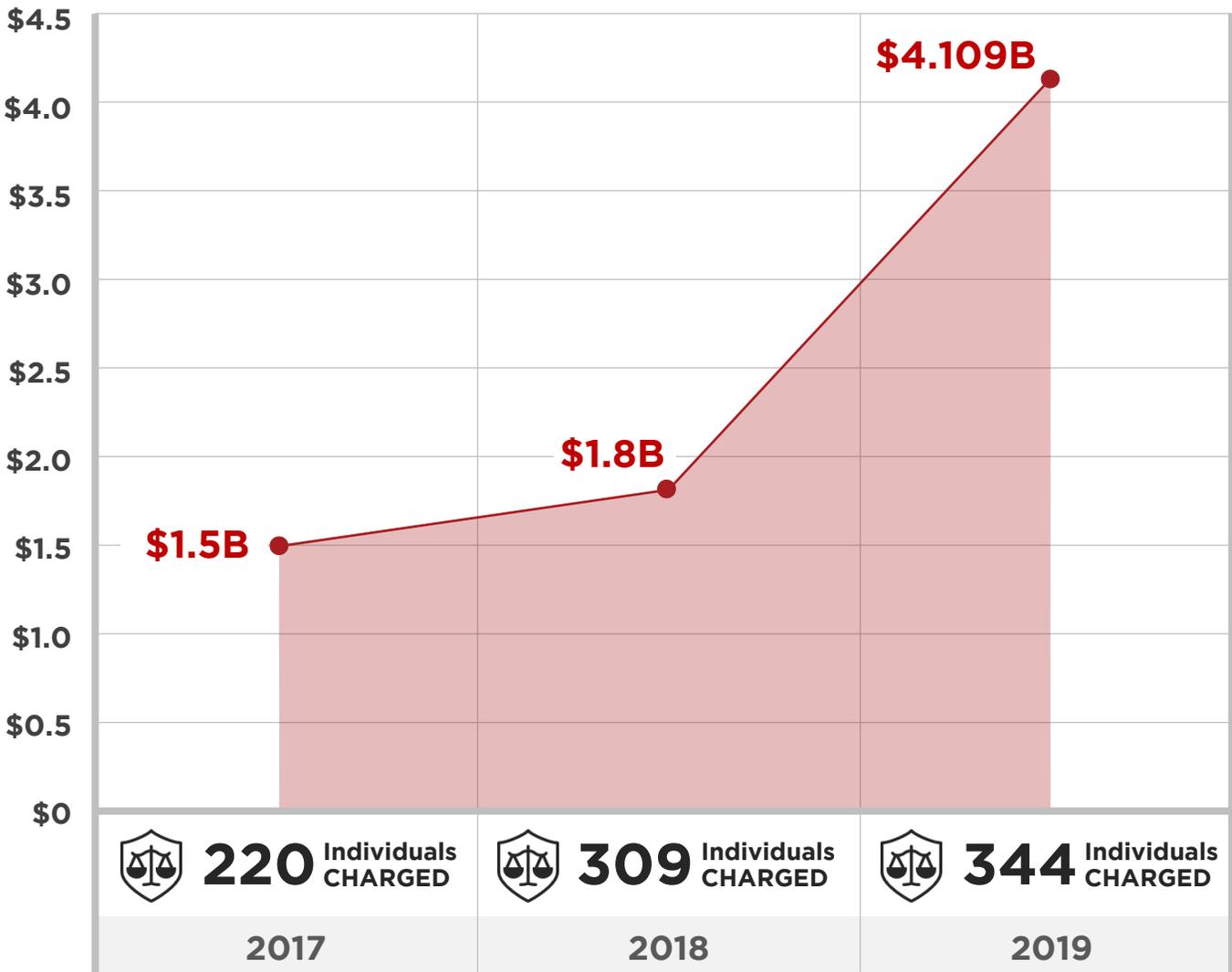
IMPACT OF INVESTMENT: approximately **\$209 to \$1.**

Based on the HCF Unit's prosecutions in FY 2019, the below chart sets forth the projected amounts the Medicare Program saved over particular periods of time. For example, had the defendants charged in FY 2019 continued defrauding the Medicare program, this would have resulted in an additional \$4.520 billion loss after 5 years, and \$7.097 billion loss after 10 years. The Impact of Investment projects that over 10 years, every dollar spent on the HCF Unit in FY 2019 will result in \$209 in savings to the Medicare Program.

Timeframe	1 Year	3 Years	5 Years	8 Years	10 Years
Monies Saved	\$1.117 billion	\$3.009 billion	\$4.520 billion	\$6.236 billion	\$7.097 billion

HCF Unit Calendar Year Statistics | 2017 - 2019

(Alleged Loss In Billions)



Health Care Fraud Unit

Coordinated Law Enforcement Actions

Each year, the HCF Unit leads and coordinates large-scale law enforcement actions with its partners. As set forth below, in 2019, the HCF Unit executed multiple coordinated law enforcement actions over a nine month period.

“Operation Brace Yourself” Takedown: \$1.2 Billion Nationwide Health Care Fraud Scheme Involving Telemedicine and DME

On April 9, 2019, the HCF Unit, together with the U.S. Attorney’s Offices for the District of New Jersey, District of South Carolina, and the Middle District of Florida, announced “Operation Brace Yourself,” one of the largest health care schemes ever investigated by the FBI and HHS-OIG, resulting in charges against 24 defendants, including the CEOs, COOs and others associated with five telemedicine companies; the owners of dozens of durable medical equipment (DME) companies; and three licensed medical professionals, for their alleged participation in health care fraud schemes involving more than \$1.2 billion in losses. In conjunction with this effort, CMS/CPI took adverse administrative action against 130 DME companies that had submitted over \$1.7 billion in claims and were paid over \$900 million.

NATIONWIDE BRACE SCAM

Scammers are contacting Medicare beneficiaries to offer “free or low-cost” orthotic braces. These fraudsters bill Medicare for medically unnecessary equipment using beneficiaries’ information. All beneficiaries across the country are potential targets in this scheme.

Learn More: oig.hhs.gov/bracescam
Report Fraud: 1-800-HHS-TIPS or oig.hhs.gov/fraud/hotline

U.S. Department of Health and Human Services
Office of Inspector General

The Alleged Scheme and Key Players

Conspirators
They own a call center that airs television and radio advertisements for orthotic braces paid for by Medicare. Telemarketers call beneficiaries directly to offer “free or low-cost” orthotic braces.
! They are the masterminds of this scheme.

Call Center
The call center confirms that the beneficiaries are on Medicare and transfers beneficiaries to a telemedicine firm for a doctor’s consultation.
! The call center pays the telemedicine firm and its doctor for the prescriptions.

Doctor & Telemedicine Company
Regardless of medical necessity, the doctor prescribes an orthotic brace. The telemedicine company submits the brace prescription to the call center.
! The telemedicine company and doctor generate prescriptions to keep this scheme running—not because the beneficiary needs the brace.

Call Center
The call center collects the prescriptions and sells them to the medical equipment company.
! Providers should send prescriptions to a medical equipment company because beneficiaries have medical needs for products. Prescriptions should never be sold.

Medical Equipment Company
After the medical equipment company buys the prescriptions, the medical equipment company sends the brace, or multiple braces, to beneficiaries. The company bills Medicare and pays a kickback to the conspirators.
! The medical equipment company receives \$500-\$900 per brace from Medicare and pays the conspirators a kickback of almost \$300 per brace.

* This alleged scheme is current as of April 2019.

The charges targeted an alleged scheme involving the payment of illegal kickbacks and bribes by DME companies in exchange for the referral of Medicare beneficiaries by medical professionals, working with fraudulent telemedicine companies, for back, shoulder, wrist, and knee braces that are medically unnecessary. Some of the defendants allegedly controlled an international telemarketing network that lured hundreds of thousands of elderly and/or disabled patients into a criminal scheme that crossed borders, involving call centers in the Philippines and throughout Latin America. The defendants allegedly paid doctors to prescribe DME either without any patient interaction or with only a brief telephonic conversation with patients they had never met or seen. The proceeds of the fraudulent scheme were allegedly laundered through international shell corporations and used to purchase exotic automobiles, yachts, and luxury real estate in the United States and abroad.

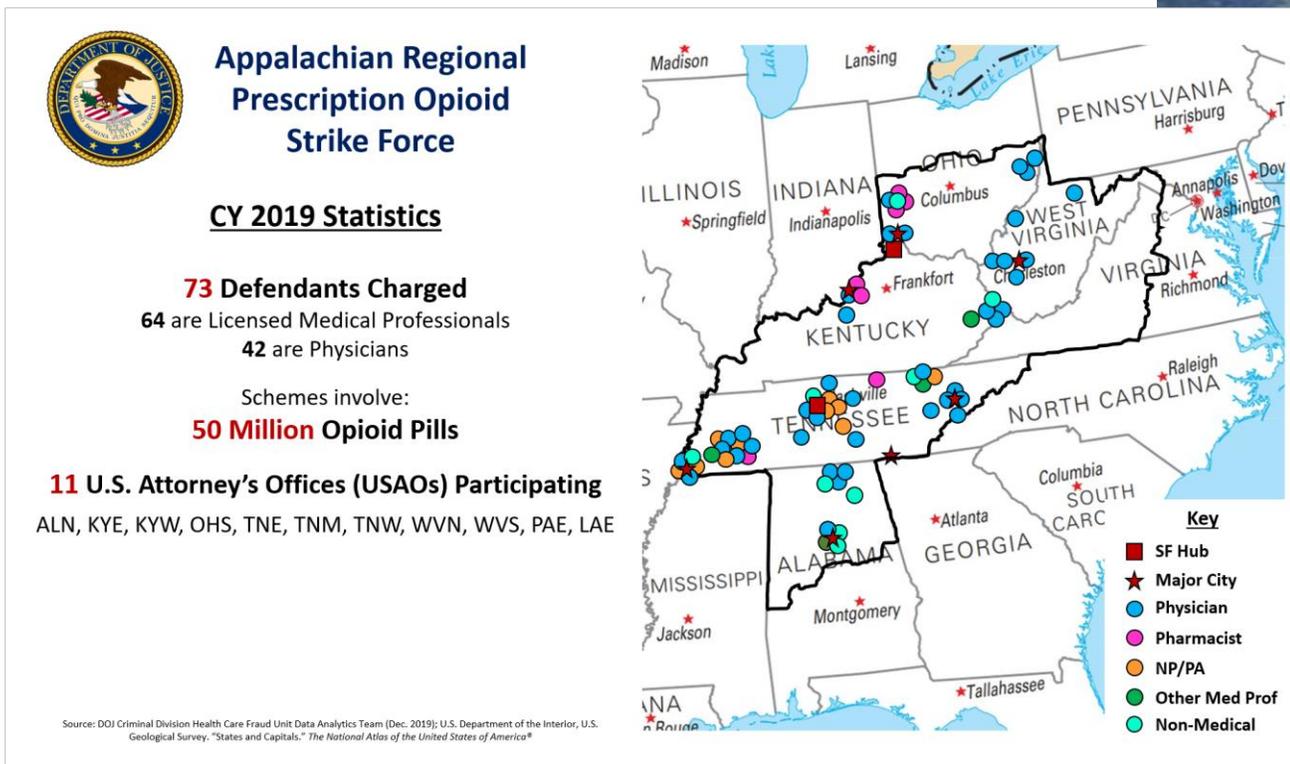
United States v. Harry, et al. (D.N.J.): Charges and Guilty Pleas

As part of the takedown of Operation Brace Yourself, on April 9, 2019, Creaghan Harry, Lester Stockett, and Elliot Loewenstern were charged with conspiracy to defraud the United States and four counts of receipt of health care kickbacks. Harry and Stockett were separately charged with one count of conspiracy to commit money laundering. Harry was the founder, Stockett the CEO, and Loewenstern the Vice President of New Business Development for PCS CC, LLC, a call center operating throughout Latin America, and also owned or controlled two telemedicine companies - Telehealth Doctors Network (dba "Video Doctor USA") and Telemed Health Group (dba "AffordADoc"). The charges stem from a \$424 million conspiracy in which Harry, Stockett, and Loewenstern allegedly solicited illegal kickbacks and bribes in exchange for medically unnecessary orders for DME. In order to conceal and disguise the scheme, Harry and Stockett allegedly funneled millions of dollars into nominee companies and bank accounts, opened by them and their accomplices in nominee names both in the United States and in foreign countries, including the Dominican Republic. Harry, Stockett, and others then allegedly made false and fraudulent representations to investors, doctors, and others to induce them to participate in the scheme, obtain money or property, and reduce suspicions that the Video Doctor Network was violating the Anti-Kickback Statute. Harry was one of Florida's "Spam Kings" and Loewenstern was portrayed in the movie, "The Wolf of Wall Street."

In September 2019, Stockett pled guilty to one count of conspiracy to defraud the United States and one count of conspiracy to commit money laundering. That same month, Loewenstern pled guilty to one count of conspiracy to defraud the United States and one count of solicitation of health care kickbacks. Stockett and Loewenstern are scheduled to be sentenced in April 2020. The case against Harry is pending. Trial has not been set.

Appalachian Regional Prescription Opioid (ARPO) Strike Force Takedowns

On April 17, 2019, Attorney General William P. Barr and Department of Health and Human Services (HHS) Secretary Alex M. Azar II, announced the results of the first ARPO Strike Force Takedown. This Takedown resulted in charges against 60 defendants, including 53 licensed medical professionals, across 11 federal districts, for their alleged participation in the illegal prescribing and distributing of opioids and other dangerous narcotics and for health care fraud schemes. These schemes involved more than 32 million prescription opioid pills. This effort also marked the first time the DOJ, DEA, HHS-OIG, HHS' Substance Abuse and Mental Health Services Administration (SAMHSA), Centers for Disease Control and Prevention (CDC), and all impacted State Departments of Health deployed a coordinated public health response to address patient harm and ensure continuity of care following a law enforcement action. In September 2019, a second ARPO Takedown was announced, resulting in charges against an additional 13 defendants, including 11 medical professionals, alleging the illegal prescription of 18 million prescription opioid pills. To date, 20 defendants have pled guilty.



United States v. Jeffrey Young, Alexander Alperovich, M.D., and Andrew Rudin, M.D. (W.D. Tenn.)

As part of the first ARPO takedown, on April 17, 2019, Jeffrey Young, Alexander Alperovich, M.D., and Andrew Rudin, M.D. were charged with conspiracy to unlawfully distribute controlled substances. Young was also charged with prescribing controlled substances to a pregnant woman and unlawful distribution of controlled substances. Young, a nurse practitioner who branded himself the “Rock Doc,” allegedly prescribed powerful and dangerous combinations of opioids and benzodiazepines, sometimes in exchange for sexual favors. Over approximately three years, Young allegedly prescribed approximately 500,000 hydrocodone pills, 300,000 oxycodone pills, 1,500 fentanyl patches, and more than 600,000 benzodiazepine pills. Young also prescribed opioids to a pregnant woman. Dr. Alperovich and Dr. Rudin allegedly served as Young’s supervising physicians, and were thus required under Tennessee law to review all of Young’s controlled substance prescriptions. They were allegedly paid by Young for this supervision and knew of Mr. Young’s unlawful practices but continued to sign off on the prescriptions. The case against the defendants is pending. Trial has been set for September 14, 2020.



Takedown of Nationwide \$2.1 Billion Health Care Fraud Scheme Involving Fraudulent Genetic Testing

On September 27, 2019, the HCF Unit announced a coordinated federal law enforcement action involving fraudulent genetic cancer testing that resulted in charges in 5 federal districts against 35 defendants associated with dozens of telemedicine companies and cancer genetic testing laboratories (CGx) for their alleged participation in one of the largest health care fraud schemes ever charged. According to the charges, these defendants fraudulently billed Medicare more than \$2.1 billion for these CGx tests. Among those charged were 10 medical professionals, including 9 doctors. The HCF Unit, together with HHS-OIG and FBI, and the U.S. Attorney's Offices for the Southern District of Florida, Middle District of Florida, Southern District of Georgia, Eastern District of Louisiana, and Middle District of Louisiana, spearheaded this landmark investigation and prosecution that resulted in charges against CEOs, CFOs and others. In conjunction with this effort, CMS/CPI, took adverse administrative action against cancer genetic testing companies and medical professionals who submitted more than \$1.7 billion in claims to the Medicare program.

The coordinated federal investigation targeted an alleged scheme involving the payment of illegal kickbacks and bribes by CGx laboratories in exchange for the referral of Medicare beneficiaries by medical professionals working with fraudulent telemedicine companies for expensive cancer genetic tests that were medically unnecessary. Often, the test results were not provided to the beneficiaries or were worthless to their actual doctors. Some of the defendants allegedly controlled a telemarketing network that lured hundreds of thousands of elderly victims and/or disabled patients into a criminal scheme that affected victims nationwide. The defendants allegedly paid doctors to prescribe CGx testing, either without any patient interaction or with only a brief telephonic conversation with patients they had never met or seen.

Genetic Testing SCAM

Scammers are offering Medicare beneficiaries "free" genetic testing or cheek swabs in order to obtain beneficiaries' personal information for fraudulent purposes.

```
graph TD; Recruiter[Recruiter] --> Doctor[Doctor]; Doctor --> Lab[Lab]; Lab --> Recruiter;
```

Recruiter
The recruiter (who may also be called a marketer or telemarketer), targets the beneficiary to take a genetic test in person or by mail.

Doctor
The doctor orders a test for the beneficiary even if it's not medically necessary. The doctor gets a kickback from the recruiter for ordering the test.

Lab
The lab runs the test and receives the reimbursement payment from Medicare. The lab shares the proceeds of that payment with the recruiter.

The alleged scheme is current as of September 2019.

Learn More: oig.hhs.gov/genetic scam
Report Fraud: 1-800-HHS-TIPS or oig.hhs.gov/fraud/hotline

U.S. Department of Health and Human Services
Office of Inspector General

Health Care Fraud Unit

Coordinated Law Enforcement Actions - Strike Force Regional Takedowns

From August 28 to September 27, 2019, the HCF Unit and U.S. Attorney's Offices throughout the country carried out 8 regional takedowns in Houston, across Texas, the West Coast, the Gulf Coast, the Northeast, Florida, Georgia, and the Midwest. As a result of these coordinated takedowns, the HCF Unit charged 179 individuals, our USAO partners charged 122 individuals, and our Medicaid Fraud Control Unit partners charged 64 individuals for allegedly fraudulently billing federal health care programs for more than \$1 billion and allegedly illegally prescribing/dispensing approximately 50 million controlled substance pills. Those charged included 105 defendants for opioid-related offenses.

Houston Opioid Takedown

On August 28, 2019, the HCF Unit, together with the U.S. Attorney's Offices for the Southern and Eastern Districts of Texas and the District of Massachusetts, announced charges against 41 individuals for their alleged involvement in a network of "pill mill" clinics and pharmacies. Those charged include medical providers, clinic owners and managers, pharmacists, pharmacy owners and managers, as well as drug dealers and traffickers. Their actions allegedly resulted in the diversion of approximately 23 million oxycodone, hydrocodone and carisoprodol pills. The charges allege participating doctors, medical professionals and pharmacies knew that the prescriptions had no legitimate medical purpose and were outside the usual course of professional practice. In some cases, "crew leaders" and "runners" allegedly filled or had the individuals who posed as patients fill the illegal prescriptions at Houston-area pharmacies. The owner and pharmacist-in-charge at one pill-mill pharmacy allegedly dispensed the second highest amount of oxycodone 30mg pills of all pharmacies in the entire State of Texas in 2019, and the ninth highest amount in the nation. All of the oxycodone dispensed by this pharmacy - every single oxycodone pill that left the premises - was in the highest available dosage strength of that drug. On certain occasions, drug dealers and traffickers then allegedly diverted and distributed the controlled substances to the streets, with some pills trafficked from Houston to Boston.

United States v. Wade Walters (S.D. Miss.)

On September 25, 2019, Wade Walters, a co-owner of numerous compounding pharmacies and pharmaceutical marketing companies, was charged for his alleged role in a scheme to defraud TRICARE and other private health insurance companies by paying kickbacks to practitioners and marketers for the prescribing and referring of fraudulent prescriptions for medically unnecessary compounded medications dispensed by his pharmacies. The indictment alleges that, based on these fraudulent prescriptions, Walters caused TRICARE and other health care benefit programs to reimburse his and other compounding pharmacies more than \$510 million. The case against Walters is pending. Trial is set for April 6, 2020.

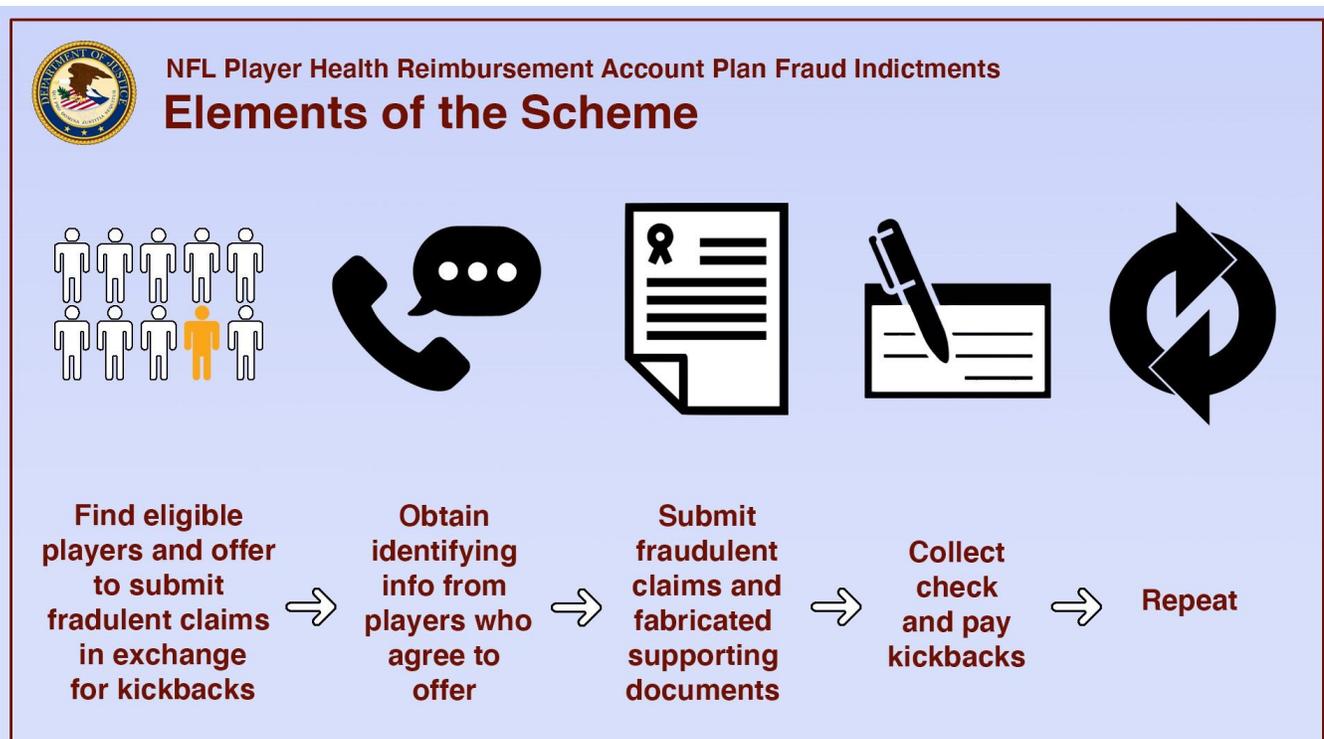
United States v. Neil K. Anand, Asif Kundi, Atif Mahmood Malik, and Viktoriya Makarova (E.D. Pa.)

On September 10, 2019, Neil K. Anand, a medical doctor, Asif Kundi and Atif Mahmood Malik, unlicensed foreign medical school graduates, and Viktoriya Makarova, a nurse practitioner, were charged with one count of health care fraud and one count of conspiracy to distribute controlled substances. The charges stem from the defendants' alleged submission of false and fraudulent claims to Medicare, health plans provided by the U.S. Office of Personnel Management, and Independence Blue Cross for "Goody Bags" - bags of medically unnecessary prescription medications that were dispensed by non-pharmacy dispensing sites owned by Anand. In total, Medicare, OPM and IBC allegedly paid Anand over \$4 million for the Goody Bags. Patients were allegedly required to take the Goody Bags in order to receive a prescription for controlled substances. Additionally, Anand and Makarova allegedly gave Malik and Kundi pre-signed blank prescriptions that Malik and Kundi used to write prescriptions for controlled substances. Anand and Makarova allegedly prescribed over 10,000 prescriptions for Schedule II controlled substances, of which over 7,000 were for oxycodone totaling over 634,000 oxycodone tablets. The case against the defendants is pending. Trial is set for May 11, 2020.

Charges Against Former NFL Players for Alleged Fraud on Health Care Benefit Program for Retired NFL Players

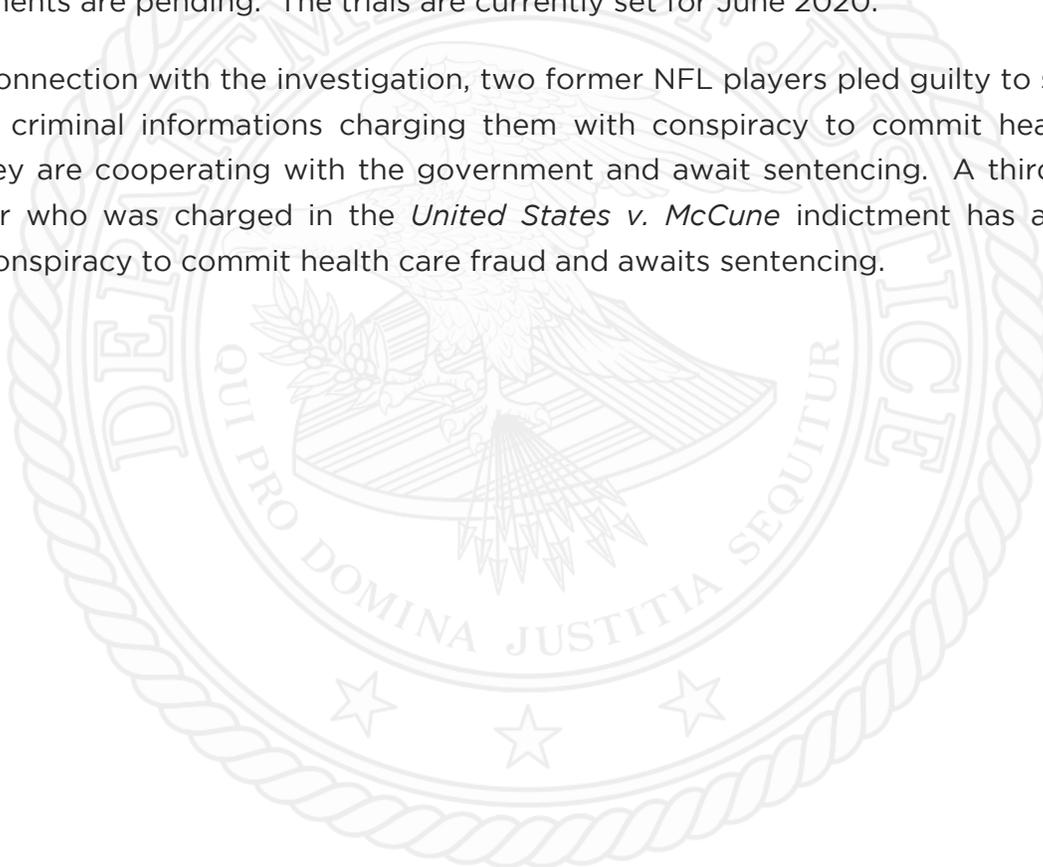
On December 12, 2019, the HCF Unit and the U.S. Attorney's Office for the Eastern District of Kentucky announced charges against 10 former National Football League (NFL) players for their alleged roles in a nationwide fraud on a health care benefit program for retired NFL players. The alleged fraud targeted the Gene Upshaw NFL Player Health Reimbursement Account Plan (the Plan), which was established pursuant to the 2006 collective bargaining agreement and provided for tax-free reimbursement of out-of-pocket medical care expenses that were not covered by insurance and that were incurred by former players, their wives and their dependents - up to a maximum of \$350,000 per player. According to the charging documents, over \$3.9 million in false and fraudulent claims were submitted to the Plan, and the Plan paid out over \$3.4 million on those claims between June 2017 and December 2018.

Two separate indictments filed in the Eastern District of Kentucky, *United States v. McCune, et al.*, and *United States v. Buckhalter, et al.*, outline two alleged conspiracies involving different players related to the same scheme to defraud the Plan, which involved the submission of false and fraudulent claims to the Plan for expensive medical equipment - typically between \$40,000 and \$50,000 for each claim - that was never purchased or received. The expensive medical equipment described on the false and fraudulent claims included hyperbaric oxygen chambers, cryotherapy machines, ultrasound machines designed for use by a doctor's office to conduct women's health examinations, and electromagnetic therapy devices designed for use on horses.



According to allegations in the indictments, certain players recruited other players into the scheme by offering to submit or cause the submission of these false and fraudulent claims in exchange for kickbacks and bribes that ranged from a few thousand dollars to \$10,000 or more per claim submitted. As part of the scheme, the defendants allegedly fabricated supporting documentation for the claims, including invoices, prescriptions, and letters of medical necessity. The cases against the players charged in the indictments are pending. The trials are currently set for June 2020.

In connection with the investigation, two former NFL players pled guilty to separate one-count criminal informations charging them with conspiracy to commit health care fraud. They are cooperating with the government and await sentencing. A third former NFL player who was charged in the *United States v. McCune* indictment has also pled guilty to conspiracy to commit health care fraud and awaits sentencing.



Health Care Fraud Unit

Significant Trials and Sentencings

United States v. Philip Esformes (S.D. Fla.): Trial Conviction and 20-Year Sentence

In April 2019, after an eight-week trial, a federal jury in Miami convicted Philip Esformes, a South Florida health care facility owner, for his role in the largest health care fraud scheme ever charged by DOJ, involving over \$1.3 billion in fraudulent claims submitted to Medicare and Medicaid for services that were not provided, were not medically necessary, or were procured through the payment of kickbacks.

Esformes was convicted of one count of conspiracy to defraud the United States, two counts of receipt of kickbacks in connection with a federal health care program, four counts of payment of kickbacks in connection with a federal health care program, one count of conspiracy to commit money laundering, nine counts of money laundering, two counts of conspiracy to commit federal program bribery, and one count of obstruction of justice. Evidence at trial established that, from approximately January 1998 through July 2016, Esformes led an extensive health care fraud conspiracy involving a network of assisted living facilities and skilled nursing facilities that he owned. Esformes bribed physicians to admit patients into his facilities, and then cycled the patients through his facilities, where they often failed to receive appropriate medical services, or received medically unnecessary services, which were then billed to Medicare and Medicaid, the evidence showed. Several witnesses testified to the poor conditions in the facilities and the inadequate care patients received, which Esformes was able to conceal from authorities by bribing an employee of a Florida state regulator for advance notice of surprise inspections scheduled to take place at his facilities.

The evidence further showed that Esformes used his criminal proceeds to make a series of extravagant purchases, including luxury automobiles and a \$360,000 watch. Esformes also used criminal proceeds to bribe the basketball coach at the University of Pennsylvania in exchange for his assistance in gaining admission for his son into the university. Altogether, the evidence established that Esformes personally benefited from the fraud and received in excess of \$37 million.



In September 2019, Esformes was sentenced to 20 years of imprisonment. In November 2019, following a restitution hearing, Esformes was ordered to pay \$5,530,207 in restitution and a forfeiture money judgment in the amount of \$38,700,795, and to forfeit several business entities. This case was prosecuted with the U.S. Attorney's Office for the Southern District of Florida.

United States v. Rodney Mesquias, Henry McInnis, and Francisco Pena (S.D. Tex.): Trial Convictions

In November 2019, after a three-week trial, a federal jury convicted Rio Bravo City, Texas, Mayor Francisco Pena, Rodney Mesquias, and Henry McInnis, who were associated with dozens of hospice and home health companies, for their roles in a \$154 million health care fraud scheme. Mesquias, McInnis, and Pena were convicted of one count of conspiracy to commit health care fraud and one count of conspiracy to commit money laundering. In addition, the jury convicted Mesquias and McInnis on six counts of health care fraud and Pena on one count of health care fraud. The jury also convicted Pena on one count of obstruction of health care investigations and one count of false statements; Mesquias and McInnis on one count of conspiracy to obstruct justice; and Mesquias and Pena on one count of conspiracy to pay and receive kickbacks.

Evidence at trial established that, from 2009 to 2018, Mesquias owned and controlled the Merida Health Care Group, an entity that operated hospice care companies throughout Texas. McInnis was CEO. Pena, a licensed physician, was a medical director for the Merida Group and was, at the time, the mayor of Rio Bravo, Texas. According to evidence presented at trial, the Merida Group enrolled patients with long-term incurable diseases, such as Alzheimer's and dementia, at group homes, nursing homes, and in housing projects by falsely telling them that they had less than six months to live, and sent chaplains to lie to the patients and discuss last rites and preparation for their imminent death. In fact, the patients were not suffering from a terminal illness that was expected to result in their death within six months, as is required to qualify for hospice services, and were in some instances walking, driving, working and even coaching athletic sporting events. However, the defendants kept the patients on services for multiple years in order to increase revenue.

The evidence further established that Pena gave a false statement to the FBI and directed others to obstruct the FBI's investigation by covering up Pena's involvement in accepting kickbacks for hospice patients from his mayoral office at Rio Bravo City Hall and elsewhere. The evidence also established that Mesquias and McInnis obstructed justice by causing the creation of false and fictitious medical records and producing them to a federal grand jury in order to avoid indictment. The records added false diagnostic information making it appear that patients were dying when, in fact, they were not.

The scheme also involved laundering the proceeds of the fraud by, for example, placing a company in the name of the girlfriend of a co-conspirator physician to conceal the distribution of hundreds of thousands of dollars in illegal kickbacks that were provided to the physician in exchange for home health and hospice referrals. Mesquias and McInnis used proceeds derived from the scheme to purchase, among other things, expensive vehicles, jewelry, exclusive real estate, and San Antonio Spurs season tickets. Sentencing has been set for June 17, 2020

United States v. Aleksandr Pikus (E.D.N.Y.): Trial Conviction

In November 2019, after a two-week trial, a federal jury found Aleksandr Pikus, the manager of multiple medical clinics in Brooklyn and Queens, New York, guilty for his role in a nearly \$100 million health care kickback and money laundering scheme. Pikus was found guilty of one count of conspiracy to commit money laundering, two counts of money laundering, one count of conspiracy to receive and pay health care kickbacks, and one count of conspiracy to defraud the United States by obstructing the IRS.

According to evidence presented at trial, Pikus and his co-conspirators operated a series of medical clinics in Brooklyn and Queens over the course of nearly a decade that submitted approximately \$96 million in medical claims. The clinics employed doctors, physical and occupational therapists, and other medical professionals who were enrolled in the Medicare and Medicaid programs. In return for illegal kickbacks, Pikus and his co-conspirators referred beneficiaries to these health care providers, who then submitted claims to the Medicare and Medicaid programs, the evidence showed. Pikus then laundered a substantial portion of those proceeds through companies he and his co-conspirators controlled, including by cashing checks at several New York City check-cashing businesses; he and his co-conspirators then failed to report that cash income to the IRS. Pikus used that cash to enrich himself and others and to pay kickbacks to patient recruiters, including ambulette drivers, who, in turn, paid beneficiaries to receive treatment at the defendant's medical clinics. The evidence further established that Pikus used shell companies and fake invoices to conceal his illegal activities. Sentencing has been set for April 8, 2020.

More than 25 other individuals have pleaded guilty to or have been convicted of participating in the scheme, including physicians, physical and occupational therapists, ambulette drivers, and the owners of several of the sham shell companies used to launder the stolen money.

Health Care Fraud Unit - Training, Outreach, and Policy

2019 National Health Care Fraud and Opioid Training Conference

In November 2019, the HCF Unit hosted the largest ever National Health Care Fraud and Opioid Training Conference, which was attended by over 575 criminal and civil prosecutors (representing numerous DOJ components and over 48 U.S. Attorney's Offices) and law enforcement personnel from the FBI, DEA, HHS-OIG, IRS Criminal Investigation, and Defense Criminal Investigative Service (DCIS), U.S. Postal Inspection Service (USPIS), the Department of Veterans Affairs (VA-OIG), and State MFCUs. The conference provided training on investigative tools and techniques, trial skills, case studies, and policy updates.

Outreach and Policy

As part of the HCF Unit's efforts to lead a coordinated, national approach to combating health care fraud and the illegal prescription and distribution of opioids, additional resources were added to the HCF Unit Data Analytics Team. This team allows the HCF Unit to better assist prosecutors in effectively and efficiently identifying and prosecuting individuals and entities, and to examine emerging health care fraud, opioid fraud, and drug diversion trends in the field. The HCF Unit Data Analytics Team also provides U.S. Attorney's Offices with customized HCF data analytic training and ongoing case-specific investigation and prosecution assistance.

The HCF Unit, in partnership with the SPT Unit, also provided legal guidance to FBI and HHS-OIG agents, health program agency staff, AUSAs, and other Criminal Division attorneys on criminal and administrative tools to combat health care fraud and the illegal prescription and distribution of opioids. Throughout 2019, the HCF Unit's prosecutors met with federal prosecutors and agents across the United States to provide training, investigative leads based on data analysis, and related support. The HCF and SPT Units also provided advice and written materials on patient medical record confidentiality and disclosure issues, and coordinated referrals of possible criminal HIPAA privacy violations from the HHS Office for Civil Rights; monitored and coordinated DOJ responses to legislative proposals, major regulatory initiatives, and enforcement policy matters; reviewed and commented on health care provider requests to the HHS-OIG for advisory opinions and consulted with the HHS-OIG on draft advisory opinions; worked with CMS to improve Medicare contractors' fraud detection, referrals to law enforcement for investigation, and case development work; and prepared and distributed to all USAOs and FBI field offices periodic summaries of recent and significant health care fraud cases.

Market Integrity and Major Frauds Unit



The Market Integrity and Major Frauds (MIMF) Unit's 35 prosecutors focus on the prosecution of complex and sophisticated securities, commodities, corporate, and investment fraud cases. The MIMF Unit works closely with regulatory partners at the SEC, CFTC, and other agencies to tackle major national and international fraud schemes. In carrying out this mission, the MIMF Unit has brought a number of significant prosecutions against corporate executives for securities and accounting fraud, as well as cases involving market manipulation and commodities fraud in the financial services industry. The MIMF Unit also focuses on combatting a broader array of financial and corporate fraud, including government procurement fraud, bank fraud, mortgage fraud, and consumer fraud.

The MIMF Unit is organized internally to focus on five concentrations:

Commodities

Consumer, Regulatory, and Investment Fraud

Financial Institutions

Government Procurement Fraud and Bribery

Securities

<https://www.justice.gov/criminal-fraud/market-integrity-and-major-frauds-unit>

MIMF Unit Statistics 2019

INDIVIDUAL
PROSECUTIONS



100 Individuals
CHARGED

43 Individuals
CONVICTED

34 Individuals
PLEADED GUILTY

9 Individuals
CONVICTED AT TRIAL



CORPORATE
RESOLUTIONS

8

CORPORATE RESOLUTIONS Involving the Imposition of:



Total Global Monetary Amounts of more than **\$384 million**

Total U.S. Monetary Amounts of more than **\$384 million**

Total U.S. Criminal Monetary Amounts of more than **\$303 million**

Commodities

The Commodities concentration employs data analysis and traditional law enforcement techniques to identify and prosecute complex fraud and price manipulation cases involving core U.S. commodities markets. By holding accountable individual traders and, where appropriate, their employers, Commodities prosecutors are working to prevent deceptive and manipulative trading practices and promote efficient, fair markets for the public.

Consumer, Regulatory, and Investment Fraud

The Consumer, Regulatory and Investment Fraud concentration investigates and prosecutes complex investment and consumer frauds of national significance, against both individuals and companies. They focus on handling high-dollar, multi-jurisdictional cases with numerous victims, including Ponzi schemes, pyramid fraud schemes, telemarketing and internet fraud, affinity fraud, cryptocurrency scams, as well as general frauds tied to deceptive, misleading, or false business practices.

Financial Institutions

The Financial Institutions concentration investigates and prosecutes fraud and other criminal activity relating to financial institutions, with a particular focus on prosecuting criminal conduct that victimizes, is perpetrated by, or otherwise substantially involves or impacts financial institutions, including banks and depository institutions, credit unions, investment advisors, hedge funds, lending institutions, credit card companies and payment processing providers, mortgage brokers, financial technology companies, and other “financial institutions” as defined in 18 U.S.C. § 20. In addition to focusing on ongoing and historical activity, the Financial Institutions concentration works to proactively develop responses to deteriorating economic conditions, as financial institutions and related lenders are often victimized under such conditions.

Government Procurement Fraud and Bribery

The Government Procurement Fraud and Bribery concentration focuses on large-scale procurement fraud against the U.S. Government, and corruption involving U.S. government officials and contractor employees. Specifically, this concentration addresses complex fraud, bribery, and kickback cases in the defense, homeland security, and other spheres, including but not limited to false claims, contract fraud, and mischarging, with an emphasis on protecting taxpayer funds and rooting out corrupt and fraudulent practices.

Securities

The Securities concentration investigates and prosecutes complex frauds relating primarily to the operation of the country’s publicly traded securities markets—including all varieties of publicly traded securities fraud, public-company accounting and regulatory-reporting frauds, insider trading, and manipulation schemes in the publicly traded securities markets. Vigorous prosecution of these crimes will further the Unit’s mission to safeguard the integrity and fairness of our publicly traded securities markets and protect the investing public.

Market Integrity and Major Frauds Unit

Significant Corporate Resolutions

Tower Research Capital LLC

In November 2019, Tower Research Capital LLC (Tower), a New York-based financial services firm, entered into a deferred prosecution agreement (DPA) and paid \$67.4 million in combined monetary penalties, disgorgement, and victim compensation payments to resolve the DOJ's investigation into a scheme to defraud the markets for E-Mini S&P 500, E-Mini NASDAQ 100, and E-Mini Dow futures contracts (collectively, "E-Mini futures contracts") traded on the Chicago Mercantile Exchange and Chicago Board of Trade.

Tower admitted that on thousands of occasions from March 2012 to December 2013, three former traders at Tower fraudulently placed orders to buy and sell E-Mini futures contracts with the intent to cancel those orders before execution.

These orders injected false and misleading information about the genuine supply and demand for E-Mini futures contracts into the market, which was meant to trick other market participants into reacting to the apparent change and imbalance in supply and demand by buying and selling E-Mini futures contracts at quantities, prices, and times they otherwise likely would not have traded.

The DOJ reached this resolution based on a number of factors, including Tower's ongoing cooperation with the DOJ and Tower's extensive remedial efforts. This included swiftly moving in early 2014 to terminate the three traders, making significant investments in trade surveillance tools, increasing legal and compliance resources, revising the company's corporate governance structure, and changing its senior management. The CFTC entered into a separate settlement with Tower in connection with related, parallel proceedings.

As part of the investigation, two of the three former traders pleaded guilty to conspiracy to engage in wire fraud, commodities fraud, and spoofing. The DOJ also obtained an indictment in October 2018 against the third former trader, Yuchun (“Bruce”) Mao, and those charges remain pending in the U.S. District Court for the Southern District of Texas. This case is being prosecuted with the U.S. Attorney’s Office for the Southern District of Texas.

Baton Holdings LLC (Bankrate’s successor in interest)

In March 2019, Bankrate, Inc.’s successor in interest, Baton Holdings LLC, entered into a non-prosecution agreement (NPA) and paid \$28 million in combined monetary penalties and restitution to resolve the government’s investigation into a complex accounting and securities fraud scheme carried out by former executives of Bankrate. Baton Holdings admitted that former executives of Bankrate, a publicly traded financial services and marketing company, engaged in a complex scheme to artificially inflate Bankrate’s earnings through so-called “cookie jar” or “cushion” accounting, whereby millions of dollars in unsupported expense accruals were purposefully left on Bankrate’s books and then selectively reversed in later quarters to boost earnings. Baton Holdings also admitted that former Bankrate executives misrepresented certain company expenses as “deal costs” in order to artificially inflate publicly reported adjusted earnings metrics, and also made materially false statements to Bankrate’s independent auditors to conceal the improper accounting entries. As a result of the scheme, Bankrate’s shareholders suffered at least \$25 million in losses.

Two of the former executives involved in the scheme have pleaded guilty and have been sentenced for their roles in the scheme. Bankrate’s former CFO Edward DiMaria received a sentence of 10 years in prison and former vice president of finance Hyunjin Lerner received a sentence of 30 months in prison.

Merrill Lynch Commodities Inc.

In June 2019, the DOJ entered into the first-ever corporate criminal spoofing resolution with Merrill Lynch Commodities Inc. (MLCI). MLCI entered into a three-year non-prosecution agreement (NPA) with the DOJ and paid a combined \$25 million in criminal fines, restitution, and forfeiture of trading profits to resolve the government's investigation into a multi-year scheme by MLCI precious metals traders to mislead the market for precious metals futures contracts traded on the Chicago Mercantile Exchange.

MLCI admitted that on thousands of occasions between 2008 and 2014, precious metals traders at MLCI deceived other market participants by injecting materially false and misleading information into the precious metals futures market. They did so by placing orders for precious metals futures contracts that, at the time the traders placed the orders, they intended to cancel before execution. In doing so, the traders intended to “spoof” or manipulate the market by creating the false impression of increased supply or demand and, in turn, to fraudulently induce other market participants to buy and to sell futures contracts at quantities, prices, and times that they otherwise likely would not have traded.

The DOJ reached this resolution based on a number of factors, including MLCI's ongoing cooperation with the DOJ and the remedial efforts of MLCI and its parent company, Bank of America, including implementing improved transaction monitoring and communication surveillance systems and processes. The CFTC entered into a separate settlement with MLCI in connection with related, parallel proceedings.

As part of the investigation, the DOJ obtained an indictment in July 2018 against Edward Bases and John Pacilio, two former MLCI precious metals traders. Those charges remain pending in the U.S. District Court for the Northern District of Illinois.

ContextMedia Health, LLC (d/b/a Outcome Health)

In November 2019, four former executives and two former employees of Outcome Health, a Chicago-based healthcare technology start-up, including its former CEO, president, COO and an executive vice president, were charged in a \$1 billion scheme to defraud their clients, lenders, and investors. The company's business model was to place television screens and tablets that played educational content in doctors' offices and then sell advertising space on those devices to pharmaceutical companies. The indictment alleged that from 2011 to 2017 the company sold millions of dollars of advertising inventory that did not exist. The former executives allegedly directed employees to conceal the shortfalls on its advertising campaigns to its pharmaceutical clients, allowing the company to collect revenue it had not actually earned. The fraud then allegedly resulted in inflated financial statements that the former executives used in 2016 and 2017 to raise \$485 million in debt financing and \$487.5 million in equity financing. The capital raises resulted in dividend payments totaling \$262 million to the co-founders. The executive vice president and the two former employees have pleaded guilty. The charges against the three top executives remain pending in the U.S. District Court for the Northern District for Illinois.

In October 2019, ContextMedia Health, LLC (d/b/a Outcome Health) entered into a three-year non-prosecution agreement (NPA) with the DOJ in which it agreed to pay \$70 million in victim compensation payments to the pharmaceutical client victims, cooperate in the Department's investigation and prosecution of any former employees, and continue to enhance its corporate compliance program. The DOJ reached this resolution based on a number of factors, including Outcome's ongoing cooperation with the DOJ and Outcome's extensive remedial measures. This included no longer employing the executives or employees involved in the misconduct, proactively making efforts to compensate the pharmaceutical company victims, and making significant improvements to address and improve the reliability of reporting on advertising campaign delivery, including hiring third parties to audit all of their advertising campaigns. This case is being prosecuted with the U.S. Attorney's Office for the Northern District of Illinois.

Market Integrity and Major Frauds Unit

Significant Trials and Sentencings

United States v. Jack Kachkar (S.D. Fla.)

In February 2019, after a three-week trial, a federal jury convicted Jack Kachkar, the former CEO and Chairman of Inyx Inc., a publicly traded, and now-bankrupt, multinational pharmaceutical company, for his role in masterminding a \$100 million scheme to defraud Westernbank of Puerto Rico (Westernbank). Kachkar was convicted of eight counts of wire fraud affecting a financial institution. The losses triggered a series of events leading to Westernbank's ultimate collapse.

Evidence at trial established that, beginning in early 2005, Kachkar caused Westernbank to enter into a series of loan agreements to advance money based on Inyx's customer invoices from "actual and bona fide" sales to Inyx customers. Kachkar orchestrated a scheme to defraud Westernbank by causing numerous Inyx employees to make tens of millions of dollars' worth of fake invoices purportedly payable by customers in the United Kingdom, Sweden, and elsewhere. Kachkar caused these fake invoices to be presented to Westernbank as valid. He also made false and fraudulent representations to Westernbank executives about purported and imminent repayments from other lenders in the United Kingdom, Norway, Libya, and elsewhere in order to lull Westernbank into continuing to lend money to Inyx. Kachkar made additional false and fraudulent representations to Westernbank executives that he had additional collateral worth hundreds of millions of dollars to induce Westernbank to lend additional funds.

During the course of the two-year scheme, Kachkar caused Westernbank to lend approximately \$142 million, primarily based on false and fraudulent customer invoices.



The evidence showed that the defendant diverted tens of millions of dollars for his own personal benefit, including for the purchase of a private jet, luxury homes in South Florida, luxury cars, luxury hotel stays, and extravagant jewelry and clothing expenditures. In or around June 2007, Westernbank declared the Inyx loans in default and ultimately suffered losses exceeding \$100 million on the loans. These losses later triggered a series of events leading to Westernbank's insolvency and ultimate collapse—at a time when Westernbank had approximately 1,500 employees and was one of the largest banks in Puerto Rico.

In July 2019, Kachkar was sentenced to 30 years in prison and was ordered to pay \$103,490,005 in restitution to the FDIC, as receiver for Westernbank. This case was prosecuted with the U.S. Attorney's Office for the Southern District of Florida.

United States v. Lee Elbaz (D. Md.): Trial Conviction and 22-Year Sentence

In August 2019, after a three-week trial, a federal jury convicted Lee Elbaz, the former CEO of the Israel-based company Yukom Communications, a purported sales and marketing company, of one count of conspiracy to commit wire fraud and three counts of wire fraud. Elbaz was convicted for her role in orchestrating a major international fraud scheme to defraud investors in the United States and worldwide who had purchased more than \$100 million in financial instruments known as “binary options.” Evidence at trial established that Elbaz and her co-conspirators fraudulently sold and marketed binary options to investors through two websites, known as BinaryBook and BigOption. Elbaz, along with her co-conspirators and subordinates, misled investors by falsely claiming to represent the interests of investors when, in fact, the owners of Yukom profited when investors lost money; by misrepresenting the suitability of and expected return on investments through BinaryBook and BigOption; by providing investors with false names and qualifications and falsely claiming to be working from London; and by misrepresenting whether and how investors could withdraw funds from their accounts. Representatives of BinaryBook and BigOption, working under Elbaz's supervision, also used deceptive tactics such as so-called “bonuses,” “risk free trades” and “insured trades,” to fraudulently solicit and retain investor funds. In December 2019, Elbaz was sentenced to 22 years of imprisonment.

United States v. Edwin Fujinaga (D. Nev.): 50-Year Sentence

In May 2019, Edwin Fujinaga, the former president and CEO of MRI International, Inc., a purported investment company and medical collections business located in Las Vegas and Tokyo, was sentenced to 50 years in prison for his role in a \$1.5 billion Ponzi scheme. Fujinaga was also ordered to pay approximately \$1.1 billion in restitution and to forfeit approximately \$813,000. In November 2018, after a five-week trial, a federal jury in Las Vegas convicted Fujinaga of eight counts of mail fraud, nine counts of wire fraud, and three counts of money laundering. According to evidence presented during trial, from 2000 until approximately 2013, Fujinaga fraudulently solicited over \$1 billion in investments in MRI from over 10,000 Japanese victims who resided in Japan.

The victims would wire their funds from Japan to bank accounts in Las Vegas under Fujinaga's control. Fujinaga approved and disseminated marketing materials that promised investors that their funds would only be used for purchasing medical claims and that an escrow agent would ensure that MRI used investor funds for only that purpose. In truth, Fujinaga spent less than two percent of investor funds to purchase medical claims. Instead, Fujinaga used the vast majority of new investors' funds to pay off old investors. He used the balance of investors' funds for impermissible business and lavish personal expenses, such as a private jet, a mansion on a Las Vegas golf course, real estate in Beverly Hills, California wine country and Hawaii, and Bentley, McLaren and Bugatti luxury cars. When the Japanese government revoked MRI's license to market securities in April 2013, MRI owed its investors more than \$1.5 billion. Victims traveled from Japan and other locations to testify about the funds they gave to Fujinaga. Some victims lost their life savings to the scheme. This case was prosecuted with the U.S. Attorney's Office for the District of Nevada.

Market Integrity and Major Frauds Unit

Significant Indictments

United States v. Gregg Smith, Michael Nowak, Jeffrey Ruffo, and Christopher Jordan (N.D. Ill.):

In November 2019, two precious metals traders, one former trader, and one former salesperson, all from the New York office of a U.S. bank (the Bank), were charged in a superseding indictment for allegedly participating in a racketeering conspiracy and other federal crimes in connection with their role in a scheme to manipulate the markets for precious metals futures contracts, which spanned over eight years and involved thousands of unlawful trading sequences.

As alleged, between approximately March 2008 and August 2016, Gregg Smith, Michael Nowak, Jeffrey Ruffo, and Christopher Jordan, along with their co-conspirators, were members of the Bank's global precious metals desk in New York, London, and Singapore, with varying degrees of seniority and supervisory responsibility over others on the desk. During this time, the defendants allegedly engaged in widespread spoofing, market manipulation, and fraud through the placement of orders they intended to cancel before execution (Deceptive Orders) in an effort to create the illusion of liquidity and drive prices toward orders they wanted to execute on the opposite side of the market. In thousands of sequences, the defendants and their co-conspirators allegedly placed Deceptive Orders for gold, silver, platinum, and palladium futures contracts traded on the New York Mercantile Exchange Inc. (NYMEX) and Commodity Exchange Inc. (COMEX).

By placing Deceptive Orders, the defendants and their co-conspirators allegedly intended to inject false and misleading information about the genuine supply and demand for precious metals futures contracts into the markets, and to deceive other participants in those markets into believing something untrue, namely that the visible order book accurately reflected market-based forces of supply and demand.

This false and misleading information was intended to, and at times did, trick other market participants into reacting to the apparent change and imbalance in supply and demand by buying and selling precious metals futures contracts at quantities, prices, and times that they otherwise likely would not have traded, the superseding indictment alleges.

The superseding indictment further alleges that one of the reasons the defendants and their co-conspirators used Deceptive Orders in their trading was to service and benefit key clients, including the desk's hedge fund clients, which were important sources of revenue and market intelligence for the precious metals desk at the Bank.

The defendants and their co-conspirators are also alleged to have defrauded the Bank's clients who had bought or sold "barrier options" by trading precious metals futures contracts in a manner that attempted to push the price towards a price level at which the Bank would make money on the option (barrier-running), or away from a price level at which the Bank would lose money on the option (barrier-defending). The charges remain pending in the U.S. District Court for the Northern District of Illinois. As part of this investigation, two former precious metals traders at the Bank have pleaded guilty to conspiracy and other federal crimes.



United States v. Emanuele Palma (E.D. Mich.)

In September 2019, Emanuele Palma, a senior manager at Fiat Chrysler Automobiles (FCA), was indicted for his role in a conspiracy to mislead U.S. regulators, customers, and the public by making false and misleading statements about the emissions control software used in more than 100,000 FCA diesel vehicles in order to cheat emissions tests. The indictment alleges that Palma supervised the calibration of several software features in the vehicles' emissions control systems to meet emissions standards for nitrogen oxides (NOx), a family of poisonous gases that are formed when diesel fuels are burned at high temperatures. Palma and his co-conspirators allegedly purposefully calibrated the emissions control functions to produce lower NOx emissions under conditions when the subject vehicles would be undergoing testing on the federal test procedures or driving "cycles," and higher NOx emissions under conditions when the subject vehicles would be driven in the real world. As further alleged in the indictment, Palma and his co-conspirators made and caused others to make false and misleading representations to FCA's regulators about the emissions control functions of the subject vehicles in order to ensure that FCA obtained regulatory approval to sell the subject vehicles in the United States. Palma is charged with one count of conspiracy to defraud the United States, to violate the Clean Air Act and to commit wire fraud, six counts of violating the Clean Air Act, four counts of wire fraud, and two counts of making false statements to representatives of the FBI and the U.S. Environmental Protection Agency's Criminal Investigation Division.

Palma awaits trial in the Eastern District of Michigan. The case is being prosecuted with the U.S. Attorney's Office for the Eastern District of Michigan and the Environment and Natural Resources Division's Environmental Crime Section.

United States v. Peter Ambruster, Mark Wogsland, and Bret Naggs (E.D. Wis.)

In April 2019, three former executives of Roadrunner Transportation Systems Inc. ("Roadrunner"), a publicly traded transportation and trucking company, were charged in a superseding indictment for their roles in a complex accounting fraud scheme to mislead and defraud Roadrunner's shareholders, independent auditors, lenders, regulators, and the investing public.

According to the superseding indictment, Peter Armbruster, Roadrunner's former CFO, conspired with Mark Wogsland and Bret Naggs, both former controllers of Roadrunner's Truckload operating segment, to conceal millions of dollars in misstated accounts, including uncollectible debts and receivables and assets with little to no value. As alleged, Armbruster, Wogsland, Naggs, and their co-conspirators determined that most, if not all, of these accounts needed to be written off and even developed a plan to write off or "clean up" some of these misstated accounts in 2015, but instead left the misstated accounts on Roadrunner's balance sheet. In addition to concealing misstated accounts, the indictment alleges that Armbruster and his co-conspirators engaged in so-called "cushion" accounting whereby they selectively reduced liability accounts in order to create a "cushion" of funds that the conspirators used to fraudulently inflate Roadrunner's financial performance in later quarters, and purposefully delayed recognizing expenses, including accruals for annual bonuses and expenses for bad debt, and otherwise misstated accounts, in order to fraudulently inflate Roadrunner's financial performance.

Armbruster, Wogsland, and Naggs are charged with conspiracy, making false statements to a public company's accountants; falsifying a public company's books, records, and accounts; securities fraud; wire fraud; bank fraud (Armbruster); and insider trading (Wogsland). All three defendants await trial in the United States District Court for the Eastern District of Wisconsin.

United States v. Eric Meek and Bobby Peavler (S.D. Ind.)

In December 2019, the former chief operating officer (Eric Meek) and chief financial officer (Bobby Peavler) of Celadon Group Inc., a publicly traded transportation and trucking company, were indicted for their roles in a complex accounting fraud scheme to mislead and defraud shareholders, independent auditors, lenders, regulators, and the investing public about the company's financial condition. According to the indictment, Meek, Peavler, and others at Celadon devised a scheme that caused Celadon to conceal tens of millions of dollars in losses suffered from a declining truck market and the significant mechanical issues that plagued Celadon's fleet. In addition to hiding these losses, Meek, Peavler, and others allegedly made false and misleading statements to Celadon's auditors about certain transactions that had been used to hide the losses from shareholders and others. Both Peavler and Meek await trial in the Southern District of Indiana.

In April 2019, another former head of a Celadon subsidiary, Danny Williams, pleaded guilty in connection with his role in the scheme. The same month, Celadon itself entered a deferred prosecution agreement (DPA) with the DOJ, under which it is obligated to pay restitution of \$42.2 million.

Strategy, Policy & Training Unit

The SPT Unit partners with the Section's management and litigating units to develop and implement strategic enforcement initiatives, policies and training to: (1) strengthen Fraud Section prosecutors' ability to more effectively and efficiently prosecute cases against individuals and companies; and (2) deter corporate misconduct and encourage and incentivize compliant behavior.

 <http://www.justice.gov/criminal-fraud/strategy-policy-and-training-unit>

Corporate Enforcement Practice and Policies

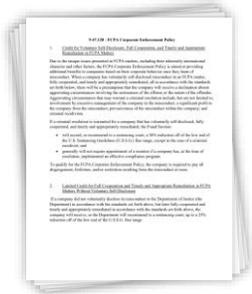
In 2019, the SPT Unit prioritized assisting the litigating units with all aspects of corporate enforcement practice, including advising prosecution teams on the structural, monetary, and compliance components of corporate resolutions. The SPT Unit assisted prosecution teams in evaluating the effectiveness of corporate compliance programs and determining whether an independent compliance monitor should be imposed as part of a corporate resolution. The SPT Unit also advised prosecution teams on post-resolution matters, including the selection and oversight of monitors and compliance and reporting obligations. In 2019, the Fraud Section selected independent compliance monitors for four companies - IAV, MTS, Fresenius, and Walmart - and began overseeing their work.

Fraud Section and SPT Unit representatives collaborated with Criminal Division leadership to develop, revise, and implement corporate enforcement policies aimed at providing greater transparency to the business community about the Department's approach to corporate enforcement. This is reflected in policies such as the FCPA Corporate Enforcement Policy, the Evaluation of Corporate Compliance Programs, the Selection of Monitors in Criminal Division Matters, and Evaluating a Business Organization's Inability to Pay a Criminal Fine guidance, as well as in the Fraud Section's resolution papers themselves. The goal of these policies is to provide incentives and clear guidance to help responsible companies invest in compliance and understand that if they respond appropriately to misconduct, including by self-disclosing, remediating and cooperating, they will be treated fairly by the Department.

Fraud Section and SPT Unit representatives also played a leading role in the first-ever compliance training for Department prosecutors held in April 2019, which was attended by over 150 attorneys, including prosecutors from across the Criminal Division, 20 U.S. Attorney's Offices, as well as attorneys from the SEC, CFTC, and the UK's Serious Fraud Office. Throughout 2019, Fraud Section and SPT Unit representatives educated law enforcement partners, foreign authorities, and the business community about these corporate enforcement policies through trainings and speaking engagements.

Strategy, Policy & Training Unit

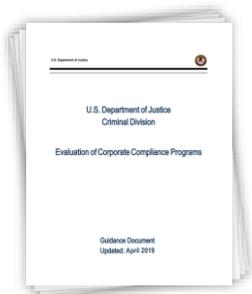
Key Corporate Enforcement Policies



FCPA Corporate Enforcement Policy



Selection of Monitors in Criminal Division Matters



Evaluation of Corporate Compliance Programs



Evaluating a Business Organization's Inability to Pay a Fine or Criminal Monetary Penalty



Strategy, Policy & Training Unit

Participation in Global Anti-Corruption Bodies

OECD

In 2019, the Fraud Section continued to actively participate in global anti-corruption bodies. Fraud Section representatives played leading roles in representing the United States' interests at the Organisation for Economic Co-operation and Development (OECD) Working Group on Bribery (WGB) in Paris. Fraud Section prosecutors discussed best practices with prosecutors and investigators from other OECD countries during the WGB's Law Enforcement Officials Group meetings. A Fraud Section representative also served as an expert at the 2nd Annual WGB Latin American Law Enforcement Network meeting in Brasilia. The Section was also actively making preparations for the WGB's Phase 4 Evaluation of the United States' foreign bribery enforcement program in 2020.

UNCAC

A Fraud Section representative participated in the 8th Session of the Conference of States Parties to the United Nations Convention Against Corruption (UNCAC) in Abu Dhabi, including leading a panel discussion on global anti-corruption enforcement coordination. A resolution sponsored by the United States on foreign bribery was adopted by consensus by the conference and co-sponsored by Australia, Belgium, Brazil, Colombia, the European Union, and its member states, El Salvador, Germany, Israel, Japan, Morocco, Nigeria, and Peru. The resolution reaffirmed the obligation of all states parties to the convention to criminalize bribery offenses and actively enforce bribery laws. This was the first UN resolution focused specifically on the importance of preventing and prosecuting both domestic and foreign bribery offenses.

APEC

A Fraud Section representative participated in two panel discussions on the role of corporate compliance programs in prosecuting foreign bribery at a workshop hosted by the Asia Pacific Economic Cooperation (APEC) Anticorruption and Transparency Working Group's Network of Anticorruption Authorities and Law Enforcement Agencies (ACT-Net) in Chile. During this workshop, experts from the private sector, international organizations, and authorities from APEC economies shared new policies, initiatives and best practices to encourage companies to take measures to prevent, detect, and report corruption-related offenses. The Fraud Section highlighted the FCPA Corporate Enforcement Policy as an effort by the Department to incentivize self-disclosures, and the Evaluation of Corporate Compliance Programs as a new guidance document to help prosecutors evaluate the effectiveness of compliance programs.

Strategy, Policy & Training Unit

Collaboration and Cooperation with the U.K.'s Serious Fraud Office

In August 2018, the Fraud Section detailed a Fraud Section representative to the United Kingdom's Serious Fraud Office ("SFO") to further develop and expand the close collaboration and cooperation between the SFO and the Department. This detail to the SFO follows the one-year detail to the United Kingdom's Financial Conduct Authority ("FCA"), and is part of a unique position created by the Criminal Division that reflects the Department's commitment to international cooperation in the fight against sophisticated cross-border economic crime. During these details, the Fraud Section representative has participated in FCA and SFO investigations; advised DOJ, FCA, and SFO personnel on effective interagency coordination; organized and presented enforcement-related training in the United States and the United Kingdom (including a multi-day interagency symposium on white-collar criminal enforcement); and otherwise served as a liaison between the Fraud Section and some of its most critical overseas law enforcement and regulatory partners.

Crime Victim Assistance

The Department's core mission is to pursue justice for criminal acts, and that pursuit includes justice for the victims of crime. In 2019, the SPT Unit expanded its crime victim assistance program by hiring a full-time victim attorney and victim specialist to support the Fraud Section's cases. This expansion will enhance the Section's ability to vindicate victims' rights and to provide victims with the services that they deserve.

Privilege Review Team

In 2019, the Fraud Section created and launched a Privilege Review Team (PRT) under the auspices of the SPT Unit. The PRT's primary function is to conduct privilege reviews for the Section's cases and to litigate privilege issues, if necessary. To date, the Section has hired four full-time PRT trial attorneys, who are supported by dedicated contract attorneys, paralegals, and support staff.

Strategy, Policy & Training Unit

Appellate Litigation

The SPT Unit is also responsible for managing the Fraud Section's appellate docket, defending the convictions secured by the Section's litigating units on appeal. In 2019, the SPT Unit, in coordination with the Appellate Section of the Criminal Division, oversaw approximately 100 separate criminal appeals and mandamus petitions pending in ten separate Courts of Appeals across the country, with 57 new notices of appeals filed in 2019. Over the course of the year, Fraud Section prosecutors filed 10 appellate briefs and 6 substantive motions to dismiss and presented 2 oral arguments.

The SPT Unit also secured numerous affirmances in appeals originating from each of the Section's litigating units, in particular, two significant victories which resulted in published opinions: *United States v. Baker*, 923 F.3d 390 (5th Cir. 2019) and *United States v. Chi*, 936 F.3d 888 (9th Cir. 2019).