



FRAUD SECTION YEAR IN REVIEW 2015

Fraud Section Webpages:

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

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

Health Care Fraud: <http://www.justice.gov/criminal-fraud/health-care-fraud-unit>

Securities & Financial Fraud: <http://www.justice.gov/criminal-fraud/securities-and-financial-fraud-unit>

Strategy, Policy, & Training: <http://www.justice.gov/criminal-fraud/strategy-policy-and-training-unit>



THE UNITED STATES
DEPARTMENT *of* JUSTICE

Welcome to the Fraud Section

The Fraud Section plays a pivotal role in the Department of Justice's fight against economic crime. The Section prosecutes white collar crime in federal courts around the country, and focuses on cases of national significance and international scope. Fraud Section prosecutors have vast experience with corporate investigations, foreign bribery plots, and health care fraud schemes. Because of this expertise, and that the Section has the largest constellation of white collar prosecutors in the country, it routinely is the national leader in large, sophisticated financial fraud investigations and prosecutions. The Section also routinely partners with United States Attorneys' Offices and coordinates with foreign law enforcement agencies to combat white collar crime.

The Section is composed of three litigating units – the Foreign Corrupt Practices Act (FCPA) Unit, the Health Care Fraud Unit, the Securities & Financial Fraud (SFF) Unit – and the Strategy, Policy, & Training Unit and the Administration & Management Unit. The FCPA Unit has primary jurisdiction among Department components in prosecuting FCPA matters and in developing FCPA enforcement policy. The Health Care Fraud Unit identifies and responds to emerging fraud trends across the country, including large corporate health care fraud. The SFF Unit has unrivaled expertise in corporate fraud matters and in parallel investigations with domestic and foreign law enforcement agencies and regulators.

The Fraud Section employs approximately 125 prosecutors, and has recently been allocated additional positions so that it will employ 159 prosecutors. In addition, the Fraud Section has over 20 federal support staff, and more than 130 contractor support staff.

Fraud Section Statistics in 2015

- Individuals convicted: 225
- Corporate resolutions and pleas: 11
- Corporate fines, restitution, and penalties: \$3,942,200,000

The Fraud Section is located in Washington, D.C. The Health Care Fraud Unit has Medicare Fraud Strike Force operations in the following locations: Brooklyn, NY; Miami, FL; Tampa, FL; Detroit, MI; Chicago, IL; New Orleans/Baton Rouge, LA; Houston, TX; and Los Angeles, CA.

Fraud Section Senior Management

Fraud Section Chief



Andrew Weissmann, Fraud Section Chief

Andrew Weissmann was selected as the Chief of the Fraud Section on January 15, 2015. He returned to the Criminal Division after teaching

criminal procedure and national security law courses and seminars at the NYU School of Law and serving as the FBI's general counsel under Director Robert S. Mueller. Previously, Weissmann was a partner at Jenner & Block in New York for five years and co-chair of the firm's White Collar Practice Group.

Weissmann also was the director of the Enron Task Force where he oversaw investigations and prosecutions of more than 30 high-profile executives, as well as the corporate prosecutions of Merrill Lynch and CIBC.

Weissmann began his DOJ career in 1991 at the U.S. Attorney's Office for the Eastern District of New York, where he served in various leadership capacities including as chief of the Criminal Division. He clerked for the Hon. Eugene H. Nickerson (E.D.N.Y.). He graduated from Princeton University, was awarded a Fulbright Fellowship, and graduated from Columbia Law School, where he served on its law review.

Principal Deputy Chief

Rebecca Rohr joined the Fraud Section in 2011 after serving as an AUSA in the Southern District of New York. She previously worked at Covington & Burling in Washington DC, and she joined DOJ's Civil Fraud Section as part of the Attorney General's Honors Program in 1999. Rohr clerked for the Hon. Harry L. Hupp (C.D. Cal.).

Senior Deputy Chief

Kathleen McGovern joined the Fraud Section in 2003 after serving as an ADA in the Suffolk County, N.Y. District Attorney's Office from 1992 to 2003. McGovern is an adjunct professor at the Georgetown University Law Center teaching L.L.M.-level courses in white collar crime and securities investigations.

Senior Deputy Chief

Patrick Stokes joined the Fraud Section in 2008 and has served as the Chief of the FCPA Unit and the co-Chief of the SFF Unit. He previously served as an AUSA in the Eastern District of Virginia for six years, and he joined the Tax Division as part of the Attorney General's Honors Program in 1998.

Acting Senior Deputy Chief

Sandra Moser joined the Fraud Section in 2013 from the U.S. Attorney's Office for the District of New Jersey, where she served for six years. She previously had worked at Morgan, Lewis & Bockius and at Drinker Biddle & Reath. She clerked for the Hon. Norma L. Shapiro (E.D. Pa.) and the Hon. Marjorie Rendell (3rd Cir.).

Foreign Corrupt Practices Act Unit

The FCPA Unit investigates and prosecutes cases under the FCPA and related statutes. FCPA Unit prosecutors fight foreign bribery, holding both individuals and companies accountable for foreign corruption. Given the global nature of our economy, when corruption takes hold overseas, honest American and foreign citizens and companies are harmed by denying the ability to compete in a fair and transparent marketplace. The Justice Department is committed to fighting foreign corruption, and its successes are a product of the skill, hard work, and determination of the FCPA Unit's prosecutors and staff.

The FCPA was enacted for the purpose of, among other things, making it unlawful to act corruptly in furtherance of an offer, promise, authorization, or payment of money or anything of value, directly or indirectly, to a foreign official for the purpose of obtaining or retaining business.

Daniel Kahn serves as Acting Chief of the Foreign Corrupt Practices Act Unit, currently overseeing 19 trial attorneys and 5 supervisory prosecutors. In 2015, the Fraud Section was allotted 10 more trial attorney positions.

FCPA Unit Statistics from 2013 – 2015

- **16** Corporate resolutions
 - **34** Cases in which individuals were charged or pleaded guilty (or had charges against them unsealed)
 - **\$1.71 Billion** in corporate penalties
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United States v. Louis Berger International

July 17, 2015 – Louis Berger International Inc. (LBI), a New Jersey-based construction management company, and two of the company's former executives, admitted to engaging in a conspiracy to violate the FCPA by bribing foreign officials. LBI entered into a deferred prosecution agreement and agreed to **pay a \$17.1 million criminal penalty to resolve charges that it bribed foreign officials in India, Indonesia, Vietnam and Kuwait** to secure government construction management contracts. The company also was required to retain an independent compliance monitor as part of the resolution. Richard Hirsch and James McClung, **two former Senior Vice Presidents of the company, each pleaded guilty** to one count of conspiracy to violate the FCPA and one substantive count of violating the FCPA in connection with the scheme.

Foreign Corrupt Practices Act Unit

United States v. Alstom S.A. et al.

November 13, 2015 – In the largest foreign bribery resolution ever with DOJ, Alstom S.A., a French power and transportation company, pleaded guilty and was sentenced **to pay a \$772,290,000 fine in connection with a widespread corruption scheme** involving tens of millions of dollars in secret bribes paid to government officials in countries around the world, including Indonesia, Saudi Arabia, Egypt, and the Bahamas. The scheme was sustained over more than a decade and across several continents. Alstom refused to cooperate with the government's investigation for the first three years. Three former Alstom executives have pleaded guilty, a foreign official who accepted bribes has also pleaded guilty, and charges are pending against another former Alstom executive. A high-ranking member of the Indonesia parliament was also convicted in Indonesia. Marubeni Corporation, which partnered with Alstom, pleaded guilty and paid an \$88 million criminal fine.



United States v. Vadim Mikerin

December 15, 2015 – Vadim Mikerin, a former Russian official residing in Maryland, was sentenced to 48 months in prison for conspiracy to commit money laundering in connection with his role in arranging more than **\$2 million in corrupt payments to influence the awarding of contracts** with a Russian state-owned nuclear energy corporation. Mikerin admitted that he conspired with others to transmit approximately \$2,126,622 from Maryland and elsewhere in the United States to offshore shell company bank accounts located in Cyprus, Latvia, and Switzerland with the intent to promote a corrupt payment scheme that violated the FCPA. Mikerin was ordered to forfeit the same amount. In addition, Daren Condrey pleaded guilty to conspiring to pay bribes to Mikerin in violation of the FCPA. Boris Rubizhevsky, a middleman used by one of the bribe-payers, pleaded guilty to laundering money in connection with the scheme.



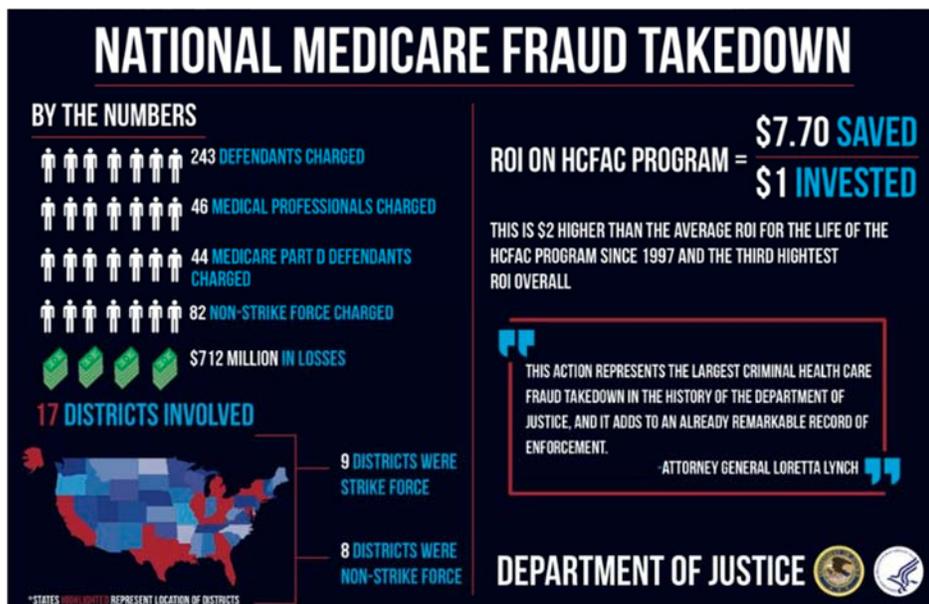
Health Care Fraud Unit

Health Care Fraud Unit prosecutors work in Washington, DC, handling corporate health care fraud cases, and in nine Medicare Fraud Strike Force locations across the country. The Strike Force is modeled on a cross-agency collaborative approach, bringing together the investigative and analytical resources of the FBI, the Health and Human Services Office of the Inspector General, the Centers for Medicare & Medicaid Services, and other agencies, along with the prosecutorial resources of U.S. Attorneys' Offices and state and local law enforcement partners. Prosecutors use innovative data analysis to target hot spots – areas of the country where the billing data shows the potential for a high volume of fraud – and to stop emerging fraudulent schemes.

Gejaa Gobena serves as Chief of the Health Care Fraud Unit. The Health Care Fraud Unit employs over 40 prosecutors, and has recently added positions so that the Unit will have more than 50 prosecutors.

National Medicare Fraud Takedown

June 18, 2015 – The Department of Justice and Department of Health and Human Services announced a nationwide sweep led by the Medicare Fraud Strike Force, resulting in **charges against 243 individuals**, including 46 doctors, nurses and other licensed medical professionals, for their alleged participation in **Medicare fraud schemes involving approximately \$712 million in false billings**. “This action represents the largest criminal health care fraud takedown in the history of the Department of Justice, and it adds to an already remarkable record of enforcement,” said Attorney General Loretta E. Lynch. “The defendants charged include doctors, patient recruiters, home health care providers, pharmacy owners, and others. They billed for equipment that wasn’t provided, for care that wasn’t needed, and for services that weren’t rendered. In the days ahead, the Department of Justice will continue our focus on preventing wrongdoing and prosecuting those whose criminal activity drives up medical costs and jeopardizes a system that our citizens trust with their lives.”



In the nine and a half years since its inception, Strike Force prosecutors:

- Filed more than **1,164 cases**.
- Charged more than **2,536 defendants** who collectively billed the Medicare program for more than **\$8 billion**.
- Secured **1781 guilty pleas**.
- Convicted **243 defendants** in jury trials.
- Sentenced **1,477 defendants** to imprisonment for an average term of **49 months**.

Health Care Fraud Unit



United States v. Farid Fata

July 10, 2015 – In the most egregious Medicare fraud scheme in recent history, Detroit area hematologist-oncologist Dr. Farid Fata was sentenced to 45 years in prison for his role in a health care fraud scheme that included **administering medically unnecessary infusions or injections to 553 individual patients** and submitting to Medicare and private insurance companies approximately **\$34 million in fraudulent claims**. Fata admitted to prescribing and administering unnecessary aggressive chemotherapy, cancer treatments, intravenous iron and other transfusion therapies in order to increase his billings to Medicare and other insurance companies. “Rather than use his medical degree to save lives, Dr. Fata instead destroyed them in pursuit of profit,” said Assistant Attorney General Leslie Caldwell. “Time and again, Dr. Fata callously violated his patients’ trust as he used false cancer diagnoses and unwarranted and dangerous treatments as tools to steal millions of dollars from Medicare, even stooping to profit from the last days of some patients’ lives.” Fata had pleaded guilty to 13 counts of health care fraud, one count of conspiracy to pay or receive kickbacks, and two counts of money laundering. Fata was also ordered to forfeit \$17.6 million.

Riverside General Hospital

June 9, 2015 – The former president of a Houston hospital, his son and a co-conspirator were sentenced to **45 years, 20 years, and 12 years in prison**, respectively, for their roles in a **\$158 million Medicare fraud scheme**. Earnest Gibson III, the former president of Riverside General Hospital; his son, Earnest Gibson IV, the operator of a satellite psychiatric facility of Riverside General Hospital; and Regina Askew, the owner of a group home, had been convicted after a five-week jury trial of conspiracy to commit health care fraud, conspiracy to pay and receive kickbacks, and related counts of paying or receiving illegal kickbacks. Evidence at trial showed that the beneficiaries for whom the hospital billed Medicare did not qualify or need the partial hospitalization program services billed. Trial evidence showed that patients watched movies and received no treatment.

Medicare Fraud Strike Force Locations



Securities & Financial Fraud Unit

The SFF Unit prosecutes complex securities, commodities, and other financial fraud cases. Working closely with regulatory partners and domestic and international law enforcement agencies, the SFF Unit has tackled some of the largest frauds in the financial services industry, including sophisticated market manipulation cases such as the LIBOR and foreign exchange manipulation investigations. The SFF Unit handles a broad array of other financial fraud, such as mortgage fraud, government procurement fraud, investment fraud, telemarketing fraud, and insider trading. Ben Singer serves as Chief of the SFF Unit, overseeing more than 35 prosecutors.



United States v. Glenn Defense Marine Asia

2015 saw numerous convictions in the Department's ongoing investigation of bribery and corruption related to Glenn Defense Marine Asia (GDMA), a company providing services to the U.S. Navy. On January 15, 2015, GDMA's owner and chief executive, Leonard Glenn Francis, pleaded guilty to bribery and fraud charges, admitting that he presided over **a decade-long conspiracy involving "scores" of U.S. Navy officials, tens of millions of dollars in fraud and millions of dollars in bribes and gifts.** Francis admitted that he and GDMA gave Navy officials millions of dollars in gifts and expenses, including cash, prostitution services, luxurious hotels and lavish meals, and that in exchange, Francis received classified and confidential U.S. Navy information, including ship schedules, and preferential treatment for GDMA in the contracting process. Francis further admitted to defrauding the Navy of tens of millions of dollars by overbilling for goods and services, and admitted that he bribed a federal criminal investigator in an attempt to learn more about the federal investigation of his company. That same day, GDMA itself pleaded guilty, and Francis and GDMA agreed to forfeit \$35 million and pay full restitution to the Navy. Several U.S. Navy officers also pleaded guilty in 2015 in connection with the GDMA scheme; **to date, the Department has obtained ten convictions in this ongoing investigation.**

TierOne Bank

November 6, 2015 – A federal jury convicted Gilbert Lundstrom, former CEO of the publicly-traded, Nebraska-based TierOne Bank. Lundstrom orchestrated a scheme to defraud TierOne's shareholders and to mislead regulators by concealing more than \$100 million in losses on loans and real estate. Lundstrom's co-conspirators, former TierOne President and COO James Laphen, and former TierOne Chief Credit Officer Don Langford, pleaded guilty to multiple felonies in 2014.

"Flash Crash"

April 21, 2015 – U.K. futures trader Navinder Sarao was arrested on wire fraud and commodities fraud and manipulation charges brought in connection with his alleged role in the May 2010 "Flash Crash," when the Dow Jones Industrial Average plunged 600 points in five minutes. The Fraud Section is currently seeking his extradition from the United Kingdom.

Securities & Financial Fraud Unit



Protecting Homeowners

August 6, 2015 – Leon Benzer was sentenced to 188 months in prison for his role in a \$58 million scheme to gain control fraudulently of condominium homeowners' associations in the Las Vegas area. Benzer was also ordered to pay over \$13 million in restitution. In addition, forty-one other defendants have been convicted of crimes in connection with the scheme.



SFF Unit Statistics 2013 to 2015

- **19 corporate resolutions**
- **226 individuals convicted**
- **\$5.087 billion in corporate penalties**

Protecting Interest Rate and Foreign Exchange Market Integrity

The Fraud Section investigates and prosecutes individuals and entities around the world who have manipulated benchmark interest and exchange rates. Results in 2015 included:

- On April 23, 2015, DB Group Services (UK) Limited, a wholly owned subsidiary of Deutsche Bank AG, pleaded guilty to wire fraud for its role in manipulating LIBOR. In addition, Deutsche Bank AG entered into a deferred prosecution agreement in connection with its role in manipulating LIBOR. Together, the two entities agreed to pay \$775 million in criminal penalties.
- On May 20, 2015, four major banks – Barclays PLC, Citicorp, JPMorgan Chase & Co., and The Royal Bank of Scotland plc – each pleaded guilty to conspiring to manipulate the price of U.S. dollars and euros exchanged in the foreign currency exchange (FX) spot market and agreed to pay criminal fines totaling over \$2.5 billion.
- Also on May 20, 2015, UBS AG agreed to plead guilty to manipulating LIBOR, following the Fraud Section's determination that UBS AG had breached its 2012 non-prosecution agreement arising out of the LIBOR investigation by virtue of its deceptive currency trading and sales practices in conducting certain FX transactions, as well as its collusive conduct in certain FX markets. The prosecution was the first time in recent history that the Fraud Section declared a company in breach of its agreement and secured a guilty plea to the underlying conduct.
- On November 5, 2015, the Fraud Section tried in the Southern District of New York two former London-based derivatives traders employed by Rabobank for manipulating U.S. Dollar LIBOR and Yen LIBOR. They were convicted, bringing to five the number of former Rabobank employees who have been convicted in the Department's ongoing investigation.

Strategy, Policy, & Training Unit

The Fraud Section plays a crucial role in the development and execution of Department policy in white collar and corporate crime. The recently-formed Strategy, Policy & Training Unit implements law enforcement policy on white-collar crime issues and provides guidance and assistance on a broad range of matters involving financial fraud, health care fraud, and foreign bribery. The Fraud Section leads several national working groups designed to improve cooperation and information sharing. The Unit develops strategic enforcement initiatives in conjunction with the other Fraud Section units to identify and combat emerging economic crimes and tackle sophisticated fraudulent schemes. Working with its outside compliance expert, Hui Chen, the Unit assists Fraud Section prosecutors in evaluating corporate compliance programs, compliance-focused remediation efforts, and monitorships.

Through its training function, the Strategy, Policy & Training Unit seeks to build and enhance the Section's most valuable resources:

its dedicated professionals. The unit provides internal training to strengthen prosecutors' and other professionals' knowledge, skills, and judgment required to fulfill the unique and important mission of the Fraud Section.

Pablo Quinones is the Chief of the growing Strategy, Policy & Training Unit, and he currently oversees 7 attorneys.



Hui Chen, Consulting Compliance Expert

Spotlight on: Hui Chen

On November 3, 2015, the Fraud Section retained Hui Chen as a full-time consulting compliance expert. Chen provides expert guidance to Fraud Section prosecutors as they evaluate the effectiveness of compliance programs and remedial measures. Prior to being retained, Chen served as Global Head for Anti-Bribery and Corruption at Standard Chartered Bank. She also worked in the compliance division at Pfizer and had in-house compliance positions at Microsoft. Chen served as a Trial Attorney within the Criminal Division from 1991 to 1994, and also served as an A.U.S.A. at the U.S. Attorney's Office in the Eastern District of New York. Chen graduated with high honors from the University of California at Berkeley and received her law degree from the U.C.L.A. School of Law.

Remarks and speeches on compliance by Hui Chen and Fraud Section prosecutors can be found here: <http://www.justice.gov/criminal-fraud/press-releases-speeches-testimony>