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**Former Marketing Agency Executives And Phoenix-Based
Businessman Charged In Manhattan Federal Court For Kickback
Scheme**

FOR IMMEDIATE RELEASE

Friday, September 13, 2013

Preet Bharara, the United States Attorney for the Southern District of New York, Kathryn Keneally, the Assistant Attorney General for the Tax Division of the Department of Justice, and Richard Weber, the Chief of the Internal Revenue Service, Criminal Investigation ("IRS-CI"), announced today the filing of federal criminal charges against MICHAEL J. MITROW and MATTHEW J. MITROW, former executives of a New Jersey-based marketing agency, and ROBERT T. MADISON, a Phoenix-based businessman, for their roles in a kickback scheme in which MICHAEL and MATTHEW MITROW received more than \$1 million in kickbacks for steering the marketing agency's business to a company owned by MADISON. MADISON, who was originally charged by complaint in November 2012, is also charged with defrauding the marketing agency by submitting false invoices. MICHAEL MITROW is also charged with a separate scheme to submit false invoices to the marketing agency, as well as tax evasion and obstructing the IRS. MICHAEL and MATTHEW MITROW surrendered to the IRS-CI today. The case is assigned to U.S. District Judge Paul A. Engelmayer.

Manhattan U.S. Attorney Preet Bharara said: "As alleged, in exchange for steering business to his company, Robert Madison footed the bill for more than \$1 million in personal expenses of Michael and Matthew Mitrow, including private jet travel, home renovation, and even a \$19,000 tab at a New York City club. The indictment further charges that to fund the kickbacks, Madison fraudulently billed the marketing agency for more than \$7 million in services he never, or barely, provided, and defrauded another company that had legitimately purchased the services. Michael Mitrow also allegedly conducted overlapping, separate schemes in which he defrauded his own marketing agency and failed to report income to the IRS. These defendants allegedly perpetrated fraud at every turn, and with today's superseding indictment, this Office and our law enforcement partners begin to hold them to account."

IRS-CI Chief Richard Weber said: "This indictment underscores the importance of holding accountable those who allegedly participate in kickback schemes that subvert the competitive process and hide their illicit proceeds from the IRS. The defendants are high-level executives who allegedly abused their positions of trust to fraudulently obtain more than \$1 million in undisclosed kickbacks from a vendor. Together with our partners at the U.S. Attorney's Office and the Department of Justice Tax Division, we will continue to pursue business executives who abuse and corrupt their positions to steal corporate funds and conceal their corrupt income from the IRS."

According to the allegations in the Superseding Indictment filed in Manhattan federal court:

In approximately 1998, MICHAEL MITROW started a marketing agency that provided marketing services to pharmaceutical companies by targeting labor unions and their members with direct mail services that touted the benefits of the pharmaceutical companies' products. In 2007, MICHAEL MITROW and his partners, including MATTHEW MITROW, sold a controlling interest in the marketing agency to a private equity firm. As part of the sale, MICHAEL MITROW and his brother, MATTHEW MITROW, stayed on at the agency as CEO and Executive Vice President, respectively.

The marketing agency used a Phoenix-based printing and direct-mailing company owned by MADISON for printing and mailing services related to various pharmaceutical marketing campaigns. From February 2007 through January 2009, MICHAEL MITROW, MATTHEW MITROW, and MADISON engaged in a scheme in which MADISON paid more than \$1 million in undisclosed kickbacks to MICHAEL and

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MATTHEW MITROW in exchange for MICHAEL and MATTHEW MITROW steering business from the marketing agency to MADISON's company. As part of the kickback scheme, MADISON paid more than \$1 million in personal expenses of MICHAEL MITROW, including more than \$750,000 for private jet travel. MADISON also paid MATTHEW MITROW's personal expenses, including home renovation expenses, credit card bills, and a \$19,000 bill at a New York City club. The defendants also took various steps to conceal the kickbacks from the marketing agency.

MADISON obtained the money used to pay the kickbacks by fraudulently billing the marketing agency for more than \$7 million in services that he either failed to perform or substantially underperformed. In doing so, MADISON defrauded a large New York City-based pharmaceutical company out of tens of millions of dollars for services it had purchased from the marketing agency.

MICHAEL MITROW also engaged in another scheme to defraud the marketing agency. Specifically, from approximately June 2008 through May 2009, in order to generate funds to pay for private jet travel for himself and others, MICHAEL MITROW conspired with the owner of a private jet charter business to fraudulently bill the marketing agency for bogus consulting services that were never rendered. On eight separate occasions, he directed the owner of the private jet charter business to submit bogus invoices to the marketing agency, ranging from \$66,000 to \$85,000, in the name of fake pharmaceutical consultants for purported consulting services. After MICHAEL MITROW personally approved these invoices, the money was funneled through a Florida-based collection agency and then diverted to pay outstanding and ongoing debts arising from his and others' personal use of private jets.

Finally, in addition to concealing from the IRS the income he derived from the above schemes, MICHAEL MITROW misused his corporate credit card to pay for personal expenses, including airfare, lodging, dining and retail purchases. He concealed the personal nature of these expenses by falsely labeling them as business expenses and billing the expenses to his employer. As a result, MICHAEL MITROW concealed his true income from the IRS, and failed to pay a substantial amount of income taxes in 2008.

* * *

MICHAEL MITROW, 46, of Whitehouse Station, New Jersey, is charged with two counts of conspiracy to commit wire fraud, which each carry a maximum sentence of 20 years in prison, one count of tax evasion, which carries a maximum sentence of five years in prison, and one count of obstructing and impeding the IRS, which carries a maximum sentence of three years in prison.

MATTHEW MITROW, 40, of Westfield, New Jersey, is charged with one count of conspiracy to commit wire fraud, which carries a maximum sentence of 20 years in prison.

MADISON, 42, of Henderson, Nevada, is charged with two counts of conspiracy to commit wire fraud, which each carry a maximum sentence of 20 years in prison.

Mr. Bharara praised the work of IRS-CI for its outstanding work in the investigation. He also thanked the U.S. Department of Justice's Tax Division for their significant assistance in the investigation, and the U.S. Postal Inspection Service.

This case is being handled by the Office's Complex Frauds Unit. Nanette Davis and Andrew Young, Trial Attorneys with the Tax Division and Special Assistant U.S. Attorneys in the Southern District of New York, are in charge of the prosecution.

The charges contained in the superseding indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

13-295

[U.S. v. Mitrow, et al Indictment](#)

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