



# U.S. ATTORNEY'S QUARTERLY

## JUSTICE FOR CRIMES THAT SHUT DOWN BANKS

On September 9, 2012, the former bank manager for Borinquen Federal Credit Union (BFCU), Ignacio Morales, pleaded guilty to an embezzlement scheme that led to the bank's demise. Morales stole more than \$2.3 million from the bank by cashing fraudulent checks. He also used some of those misappropriated funds in an attempt to purchase 15 kilograms of cocaine. Morales altered bank records and reports to the National Credit Union Association (NCUA) to cover up his crime. The NCUA took over bank operations in June 2011 but within weeks the bank had to be closed and the assets liquidated. Morales faces a mandatory 10 year prison term for fraud, tax, embezzlement and drug charges. Sentencing is December 7, 2012.

Also in September, the Vice-President and the Chief Operating Officer of the former Equipment Finance LLC (EFI), were sentenced for a fraud conspiracy that caused the takeover of the Bank of Lancaster County. Michael J. Schlager was sentenced to 20 years in prison; Joseph M. Braas was sentenced to 15 years. The bank was one of the five oldest banking organizations in the country. Schlager was a Senior Vice-President. The defendants orchestrated a pervasive scheme to steal money by looting the accounts, falsifying books, and ordering other employees to do the same. With those false entries, the defendants entitled themselves to higher salaries. The scheme caused losses of approximately \$53 million. EFI became a wholly owned subsidiary of Bank of Lancaster before the fraud was discovered.

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## A Message From the U.S. Attorney for the Eastern District of Pennsylvania

When a prosecutor stands before a judge and argues for an appropriate sentence that reflects the seriousness of the crime, the prosecutor must also address questions related to the history and characteristics of the defendant. For example, has the defendant lived a life of crime or is this a first offense? What other contact has the defendant had with the criminal justice system? What is the defendant's family background? Did the defendant have a parent or guardian in the household who was a positive presence and a good role model? More often than not, we find in cases involving violent crime and drugs that the defendant grew up with substantial family instability and without positive guidance in his life.

Studies have shown that while there are a number of variables that can affect a child's development and character, the most important are family and peers. That's why, in the past year, as part of our efforts to serve the community, my office has engaged in a number of outreach initiatives. Key among them is "Kids of Character" and its efforts to bring a character-building educa-

tion component to the schools throughout the Eastern District of Pennsylvania.

This past quarter, in July, we co-hosted two training sessions of educational professionals—one in Lehigh County at DeSales University and one in Delaware County at Widener University. As a result of these trainings, schools in those counties have begun to add character-building education to their curricula.

The training sessions provide an overview of the principles of effective character education with a focus on building a foundation for school-wide systemic change. Participants are asked to analyze their existing school culture and develop strategies for helping students learn how to exercise good judgment and make sound decisions.

The schools that have begun to teach character building to their students have reported major accomplishments, including: fewer behavioral problems, a reduction in risky behavior by students, improved attendance, higher test scores, and an overall improvement in the school climate.

Having the schools engage in this character-building activity can make a big difference in our community, and particularly, can help reduce the incidence of criminal behavior among our youth. Taking steps to build character early in life improves the chances that our kids will grow up to be successful, law-abiding adults. While my office spends most of its energy prosecuting serious criminals, we also realize that we must support and encourage efforts, such as character-building education, that can bring fundamental and lasting change to our communities.

-Zane David Memeger





## CORRUPTION CASES CHARGED

Philadelphia Traffic Court Judge Robert Mulgrew allegedly spent thousands of dollars in grant funds for his and his wife's personal expenses. Mulgrew, as Vice President of the non-profit Friends of Dickinson Square (FDS), reimbursed himself for expenses he claimed were connected to FDS when they were not and spent grant funds on items not approved under the grant terms.

William Rullo was charged in July with using his job as a Procurement Technician for the First Judicial District of Pennsylvania to make approximately \$321,000 in purchases for his own benefit, to forge First Judicial District judges' signatures and to purchase monthly cell phone service for himself and his family at the District's expense.

Elba Antoine was charged in July with using her position as Berks County Recorder of Deeds to enable herself to receive fees that were paid to the office. A July indictment charges that Antoine accumulated unreported fees and cash paid to the office and did not refund overpayments to persons or businesses.

In August, an unsealed indictment charged Philadelphia Police Officer Rafael Cordero with providing sensitive law enforcement information about drug investigations to his half-brother, David Garcia, an alleged member of the Serrano/Medina Drug Trafficking Organizations. Cordero also allegedly assisted in hiding illegal drug proceeds.

IRS employee Clare Toohey was charged in an August indictment with trying to obstruct an investigation into allegations she was preparing tax returns for compensation. Toohey allegedly encouraged potential witnesses to lie to investigators.

## FRAUD ON THE GOVERNMENT

In September, four defendants were charged in separate schemes to defraud the government by receiving Social Security benefits to which they were not entitled. Michael and Maryann Acciavatti, of Philadelphia, were charged with multiple counts of wire fraud, social security fraud, and conversion of Government funds. They allegedly diverted \$152,045 in survivor's insurance benefits that were intended for a deceased family member. Sharman Long, of Philadelphia, was charged with improperly receiving \$208,505.40. Edith Warren, of Philadelphia, allegedly received \$142,354 in government benefit payments that she was not entitled to receive. According to the charges, Warren concealed work activity under a second Social Security number, as well as her ownership of two homes, and her marital status, while filing for and receiving Supplemental Security Income, medical assistance, benefits from the Supplemental Nutrition Assistance Program, and cash assistance benefits.

Charter School Founder Dorothy June Brown allegedly used her private management companies, Cynwyd and Academic-Quest, to defraud the Agora Cyber Charter School ("Agora") and the Planet Abacus Charter School ("Planet Abacus"). The July indictment alleges that Brown had false documents created that caused Agora and Planet Abacus to pay Brown's private companies more than \$6 million.

## LA COSA NOSTRA ON TRIAL

Jury selection and testimony began in October in the trial of Joseph Ligambi and seven co-defendants on charges they ran an illegal gambling and loan sharking operation in Philadelphia. Three other co-defendants will be tried separately and five have pleaded guilty. Charges against the group include racketeering conspiracy, extortion, witness tampering, theft from an employee benefit plan, loan sharking, and illegal gambling. Ligambi, Joseph Massimino, George Borges, Anthony Staino, Jr., Damion Canalichio, Gary Battaglioni, and Joseph Liccata face 20 years in prison if convicted of the RICO charge.

## HEALTH CARE FRAUD

Eugene Goldman, also known as Yevgeniy Goldman, was charged in August with a kickback scheme alleging he referred Medicare or Medicaid patients to Home Care Hospice while he was its medical director. Goldman allegedly entered a written contract to create the false appearance that all payments from HCH were for services rendered. The fraud exceeds \$220,000.

Dr. Abdur Razzak Tai was convicted in September of a fraud scheme involving a trust fund set up to compensate victims of the Fen-Phen diet drug. Tai falsely certified that patient tests showed they had sustained heart damage when they had not. He was paid \$100 for each test he read and \$1,500 for each test in which he diagnosed heart damage. He will be sentenced in December.

Jo Benoit, a.k.a. Elissa Jo Benoit, was sentenced in September to 72 months in prison for posing as a psychiatrist when she was not one and writing prescriptions for people who suffered from serious mental health issues. More than 50 patients were victims of Benoit's scam. Benoit forged prescriptions and used a psychiatrist's identity to bill insurance companies more than \$500,000 for patient visits.

## CIVIL COMPLAINT OVER DISABILITY ANNUITIES

A civil complaint was filed under the False Claims Act against Richard Cundari, 67, of Doylestown, PA, alleging that from 2001-2009 Mr. Cundari applied for and received occupational disability annuities for railroad workers when he was ineligible to receive such annuities due to income earnings in excess of the applicable limits. Mr. Cundari fraudulently obtained approximately 108 annuity checks exceeding \$261,000.00. If found liable, the defendant could be forced to pay an amount equal to three times the actual damages sustained by the United States, together with a maximum civil penalty of \$11,000 for each false claim presented to the United States.

In July, Dean Landis was sentenced to 12 months home detention for falsifying the logbooks of his trucking company and aiding the Lebanon Cheese Company in a fraud scheme involving tainted milk. Landis sold truckloads of condemned milk, which had screened positive for antibiotics, to Joseph Lotito and the Lebanon Cheese Company for use in the making of ricotta cheese.



## CRIMEBUSTERS : FOOD & DRUG ADMINISTRATION

An interview with the Regional Director of the Food and Drug Administration, Karyn M. Campbell :

### -What is the mission of the FDA?

In short, to protect and promote the public health. We do this by assuring the safety, effectiveness, and security of human and veterinary drugs, biological products, medical devices, our nation's food supply, cosmetics, dietary supplements, and radiation-emitting products. We are a regulatory agency with law enforcement responsibilities.

### -What do you like best about your position as Regional Director?

Teaching and learning – it's said that FDA regulates \$0.25 of every consumer dollar spent so, even after 29 years, there's still much to learn! I do my best to listen and solicit opinions and technical advice from my colleagues. Conversely, my experience provides me with a lot of opportunities to teach newer hires at FDA as well as to do some outreach to the regulated industry, professional trade organizations, and academia. Whether it's assisting with case development during an inspection or giving a presentation to 200 people at an industry seminar, I'm always glad to have the opportunity to share what I've learned throughout my career.

### -What do you think is the most important function of the agency?

Public health protection is absolutely our most important function. Being in a field office, we typically fulfill that role through inspections of the regulated industry and examinations and sample collections of imported products at our ports. When we find violations, we try to gain voluntary compliance from the regulated industry but, if we aren't successful, we can consider the various enforcement options available to us or seek assistance from our other federal, as well as our state and local, government counterparts.

### -How does the general public reach the agency if they have a question or they want to report an activity for investigation?

The public can call 1-888-INFO-FDA (1-888-463-6332) or access our website at [www.fda.gov](http://www.fda.gov). Criminal matters can be reported to our Office of Criminal Investigations via the webpage <http://www.accessdata.fda.gov/scripts/email/oc/oci/contact.cfm>. Consumers residing in PA and DE can report complaints to our Philadelphia District Consumer Complaint Coordinator at 1-877-689-8073; a complete listing of local phone numbers for Consumer Complaint Coordinators in FDA field offices can be found at <http://www.fda.gov/Safety/ReportaProblem/ConsumerComplaintCoordinators/default.htm>.

## Settlement Reached With Condominium Association Over Fair Housing Act

The United States, in September, reached a \$40,000 settlement and consent decree in a dispute alleging that the condominium association for The Philadelphian violated the Fair Housing Act by refusing to grant a resident's request for a reasonable accommodation. The complaint alleged that The Philadelphian refused to allow a resident with a disability to keep a small therapy dog, named "Lucy," in the condominium she owned in order to help her cope with the effects of depression. The lawsuit further alleged that the defendant's policy, with respect to reasonable accommodation, violated the Fair Housing Act with respect to this individual specifically, and constituted an illegal pattern or practice. As part of the settlement, the defendants will attend fair housing education and training; implement a new reasonable accommodation policy for owners of assistance animals; and comply with notice, monitoring and reporting requirements.

## Mobile Home Park Owners Settle Water Violations Complaint

In September, a settlement was reached with the owners of 73 mobile home park communities in the Eastern District of Pennsylvania, over allegations that the owners violated federal and state environmental laws and regulations concerning the treatment of sewage and drinking water. Frank Perano, and a series of his corporations, agreed to pay a \$1,339,000 penalty for more than 4,300 Clean Water Act violations at 15 mobile home parks where the defendants treat waste water, and more than 900 Safe Drinking Water Act violations at 30 mobile home parks. The complaint followed an investigation by the EPA and the Pennsylvania Department of Environmental Protection. The monetary settlement will be divided between the United States and Pennsylvania. The investigation identified widespread environmental management problems that warranted company-wide measures. In addition to the penalty, a consent decree requires the defendants to take numerous steps to protect public health and the environment and achieve compliance with environmental regulations at all 73 of their mobile home parks.

## AWARDS

The U.S. Department of Health and Human Services Office of Inspector General Office of Investigations presented its Integrity Award to Assistant U.S. Attorneys Susan Dein Bricklin, Matthew Hogan, Paul W. Kaufman, and Anthony Kyriakakis. The award was given "In recognition of outstanding contribution in the healthcare fraud investigation of Temple University Medical Center and Dr. Joseph Kubacki." Kubacki was sentenced to 87 months in prison for falsifying patient charts and fraudulently billing Medicare and private insurers for patients he had not examined. The U.S. Attorney's Office also negotiated a civil False Claims Act settlement in excess of \$1 million for improper submission of claims to Medicare, Medicaid, and Tricare.



## CRIME & PUNISHMENT:



### Charged:

#### July 2012:

Uri Jacobson, of Philadelphia, who owns 12 'Bare Feet Shoe' stores, was charged with conspiring with store manager Elena Falaschetti to defraud the United States by paying employees under the table. More than \$2.7 million in gross wages were not reported to the IRS.

#### August 2012:

MedEx Ambulance, Inc., located in Feasterville, PA, and its owners, Aleksandr N. Zagorodny and Sergey Zagorodny, were charged in a health care fraud conspiracy. The Medicare program paid more than \$2.5 million for patients who did not require ambulance services.

Enoch Smith, a/k/a "Idris," of Philadelphia, PA, was charged with production of child pornography and sex trafficking of a minor. If convicted, the defendant faces a mandatory minimum sentence of 10 years' in prison with a maximum sentence life.

Satish Suri, a loan officer at Sovereign Bank in Horsham, was charged with submitting false and fraudulent documents on behalf of borrowers' mortgage applications on eight properties. Sovereign Bank relied on the false documents in approving over \$2.375 million in loans and mortgages.

#### September 2012:

Philadelphia Police Officer Andre Lamont Daniels was charged with acquiring oxycodone thru the use of fraudulent prescriptions.

### Convicted:

#### July 2012:

Jacques Duplessis, of Florida, pleaded guilty to engaging in the sale of approximately 6,000 boxes of counterfeit LifeScan One Touch diabetic test strips that he purchased from suppliers in China and England.

#### September 2012:

Charles M. Naselsky, of Philadelphia, was convicted of a tax evasion scheme committed while he worked as an attorney specializing in real estate transactional law. Naselsky's scheme also defrauded his employer, the law firm of Cozen O'Connor. Naselsky was convicted of two counts of tax evasion, two counts of filing false tax returns, three counts of wire fraud, and two counts of obstruction of justice.

### Sentenced:

#### July 2012:

Paul F. and Barbara Basile, of Allentown, were sentenced for their conspiracy to defraud the United States by attempting to conceal their income and failing to pay their federal income taxes. Paul Basile was sentenced to 78 months in prison; Barbara Basile was sentenced to 63 months in prison. U.S. District Court Judge Paul S. Diamond ordered the couple to pay restitution to the IRS in the amount of \$1,417,916.

John B. Baird, of Elkins Park, PA, was sentenced to five years in prison for scamming people who thought they were booking trips to Christian pilgrimage sites. Baird operated Christian Pilgrim Tours, Inc., a travel agency that arranged trips to Christian pilgrimage sites in Europe and the Middle East. He cancelled trips without providing refunds to at least 138 victims, many of whom were senior citizens. He defrauded his customers of more than \$400,000.

#### August 2012:

Kerri Bizzell, a former PHA employee, was sentenced to 50 months in prison for extortion and the obstruction of a grand jury proceeding. Bizzell abused her position to extort kickbacks in return for work contracts. She extorted and agreed to accept \$25,000 from two different contractors. When she learned of the grand

jury investigation, she attempted to prevent one of the contractors from disclosing payments to her.

Tyrone Bentley, of Philadelphia, was sentenced to 408 months in prison for robbing a Wachovia National Bank in Trevese armed with a taser. Bentley and his cohort terrorized the bank employees and stole approximately \$38,000 in cash. When officers caught up with Bentley, he fought and attempted to grab an officer's gun. He was convicted in January of conspiracy to commit armed bank robbery, armed bank robbery, and using and carrying a firearm during a crime of violence.

#### September 2012:

Blue Marsh Laboratories, Inc., located in Douglassville, PA, and its owner Michael J. McKenna, were sentenced for a conspiracy that resulted in the false reporting of pollution test results and reporting a fake result in testing imported fruit for potential contamination. McKenna was sentenced to nine months in prison; Blue Marsh Labs was sentenced to five years probation; both defendants were ordered to share the cost of restitution in the amount of \$14,114.50.

Anthony Elonis, of Bethlehem, was sentenced to 44 months in prison for four counts of interstate communication of threats in connection with postings he made to his Facebook page. Among the threats that Elonis posted were threats against his wife, Pennsylvania State Police, the FBI, the Berks County Sheriff's Department, and against an unidentified kindergarten class in the Bethlehem area. Elonis was also ordered to get mental health treatment.

### Sidenote:

You can find press releases about the cases we charge on our website:

[www.justice.gov/usao/pae](http://www.justice.gov/usao/pae)

If you believe you may be a victim of a federal crime, the U.S. Attorney's website has more information on whom to call to file a report. Go to [www.justice.gov/usao/pae](http://www.justice.gov/usao/pae) for help.