



DEPARTMENT  
OF  
JUSTICE

# FRAUD SECTION YEAR IN REVIEW 2018

## **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>



## 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 combats financial crime, foreign bribery offenses, and complex health care fraud schemes 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 approximately 150 prosecutors, 20 federal support staff, and has roughly 100 contract support staff. These dedicated personnel support the Fraud Section’s three litigating units – the Foreign Corrupt Practices Act (FCPA) Unit, the Health Care Fraud (HCF) Unit, and the Securities & Financial Fraud (SFF) Unit – in addition to the Strategy, Policy & Training (SPT) Unit and the Administration & Management Unit.

The FCPA Unit has primary jurisdiction among Department components in prosecuting FCPA matters and in assisting to develop FCPA enforcement policy. The HCF Unit identifies and responds to emerging health care fraud and opioid trends across the country, and stands up 14 Health Care Fraud Strike Forces operating in 23 federal judicial districts across the United States.<sup>1</sup> The SFF Unit has unrivaled expertise in corporate fraud matters and in parallel investigations with domestic and foreign law enforcement agencies and regulators. Each litigating unit regularly partners with United States Attorney’s Offices around the country. The SPT Unit primarily develops and implements strategic enforcement initiatives, policies, and training to identify and combat emerging white-collar crimes. And the Administration & Management Unit provides critical support services across the Fraud Section, and routinely advises and assists management on administrative matters.

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<sup>1</sup> Health Care Fraud Strike Forces are located in Miami, Tampa, and Orlando, FL; Los Angeles, CA; Detroit, MI; Houston and Dallas, TX; Brooklyn, NY; New Orleans and Baton Rouge, LA; Chicago, IL; Philadelphia, PA; and Newark, NJ, along with a Corporate Strike Force located in Washington, D.C. Announced in October 2018, the Appalachian Regional Prescription Opioid Strike Force will operate in nine additional judicial districts – the Southern District of Ohio, the Northern District of West Virginia, the Southern District of West Virginia, The Western District of Kentucky, the Eastern District of Kentucky, the Western District of Tennessee, the Middle District of Tennessee, the Eastern District of Tennessee, and the Northern District of Alabama.



THE UNITED STATES  
DEPARTMENT *of* JUSTICE



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### Fraud Section Statistics in 2018

- **406** individuals charged
  - **230** individuals pleaded guilty
  - **38** individuals convicted at trial
  - **10** corporate criminal enforcement actions
  - More than **\$1 billion** in corporate U.S. criminal fines, penalties, forfeiture and restitution, and total enforcement action amounts payable to U.S. and foreign authorities of more than **\$3 billion**
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In addition to resolving major corporate criminal enforcement actions, in 2018, the Fraud Section charged 406 individuals and tried 26 cases to verdicts resulting in 38 convictions.<sup>2</sup> The Fraud Section further planned and conducted numerous trainings throughout the year – both for Fraud Section prosecutors as well as other prosecutors and agents within DOJ – focusing on the development of trial skills and providing advanced training on investigating and prosecuting health care fraud and securities and commodities fraud cases.

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<sup>2</sup> The summary statistics in this document exclude sealed cases and provide approximate dollar amounts for the referenced corporate enforcement actions, which are available on our website at <https://www.justice.gov/criminal-fraud>.

# Fraud Section Senior Management



## ***Fraud Section Acting Chief***

Sandra Moser joined the Fraud Section in 2012 from the U.S. Attorney's Office for the District of New Jersey, where she spent several years prosecuting a variety of domestic and foreign offenses. Moser became Acting Chief of the Fraud Section in May 2017 after being appointed Principal Deputy Chief in 2016. She previously served as Acting Senior Deputy Chief and as an Assistant Chief in the SFF Unit. Earlier in her career, she worked in private practice at a law firm in Philadelphia and also clerked in the Eastern District of Pennsylvania and on the Third Circuit Court of Appeals.

## ***Fraud Section Acting Principal Deputy Chief***

Robert Zink joined the Fraud Section in 2010. Zink was appointed Acting Principal Deputy Chief in May 2017 after serving as an Assistant Chief in both the HCF and SFF 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.

## ***FCPA Unit Chief***

Daniel Kahn joined the Fraud Section in 2010. Kahn became the Chief of the FCPA Unit in March 2016 after serving as an Assistant Chief in the unit since 2013. He previously worked in private practice at a law firm in New York.

## ***HCF Unit Chief***

Joseph Beemsterboer joined the Fraud Section in 2010. Beemsterboer became the Chief of the HCF Unit in July 2016 after serving as an Assistant Chief in the unit since 2013. He previously worked at the Cook County State's Attorney's Office (IL) and in private practice at a law firm in Washington, D.C.

## ***Acting SFF Unit Chief***

Brian Kidd joined the Fraud Section in 2015. Kidd became the Acting Chief of the SFF Unit in May 2018. Prior to serving as Acting Chief of the SFF Unit, Kidd served in various roles within the Fraud Section, including as an Assistant Chief in the SFF Unit. 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 District of Puerto Rico. He also previously worked in private practice at two law firms in New York.

## ***Acting SPT Unit Chief***

Ellen Meltzer joined the Fraud Section in 1981 and was appointed Acting Chief of the SPT Unit in January 2018. Prior to serving as Acting Chief, Meltzer served in various roles within the Fraud Section, including as Special Counsel focusing on appellate litigation and as a Senior Litigation Counsel. Before joining the Fraud Section, Meltzer worked as a Trial Attorney in the Division of Enforcement of the Commodity Futures Trading Commission.

# Foreign Corrupt Practices Act Unit

The FCPA Unit's 35 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 10 significant corporate resolutions with foreign law enforcement during the past three years. Our prosecutors also conduct trainings for foreign law enforcement authorities to help them more effectively combat transnational corruption. This past year, the FCPA Unit and the U.S. Securities and Exchange Commission (SEC) conducted a training for foreign law enforcement personnel from 34 countries.

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## FCPA Unit Statistics 2018

- **31** individuals charged
  - **18** individuals pleaded guilty
  - **1** individual convicted at trial
  - **6** corporate criminal enforcement actions, resulting in nearly **\$597.2 million** in corporate U.S. criminal fines, penalties, and forfeiture, and total enforcement action amounts payable to U.S. and foreign authorities of **\$1.86 billion**
  - **4** declinations under the FCPA Corporate Enforcement Policy in which three companies agreed to disgorgement of illicit profits, prejudgment interest, and penalties totaling approximately **\$45.7 million** to the SEC and DOJ, as well as the U.S. Postal Inspection Service
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# Foreign Corrupt Practices Act Unit



## ***Société Générale S.A. Corporate Criminal Enforcement Action and Subsidiary Guilty Plea***

In June 2018, Société Générale S.A., a global financial services institution headquartered in Paris, France, and its wholly owned subsidiary SGA Société Générale Acceptance N.V., agreed to pay a combined total penalty of more than \$860 million to resolve charges with criminal authorities in the United States and France, including \$585 million relating to a multi-year scheme to pay bribes to officials in Libya and \$275 million for violations arising from its manipulation of the London InterBank Offered Rate (LIBOR), one of the world's leading benchmark interest rates. SGA Société Générale Acceptance N.V. pleaded guilty in connection with the resolution of the foreign bribery case. Together with approximately \$475 million in regulatory penalties and disgorgement that Société Générale has agreed to pay to the Commodity Futures Trading Commission in connection with the LIBOR scheme, the total penalties to be paid by the bank exceed \$1 billion. This case represents the first coordinated resolution with French authorities in a foreign bribery case. This is a joint case with the U.S. Attorney's Office for the Eastern District of New York.

## ***Petróleo Brasileiro S.A. Corporate Criminal Enforcement Action***

In September 2018, Petróleo Brasileiro S.A. – Petrobras (Petrobras) agreed to pay a total criminal penalty of \$853.2 million of which: \$85.3 million was paid to the DOJ; \$85.3 million was paid to the SEC; and the remaining \$682.6 million will be paid to Brazilian authorities, to resolve Petrobras's criminal violations of the books and records and the internal control provisions of the FCPA. These violations enabled Petrobras, through its executives and officers, to facilitate a massive scheme that enriched politicians and political parties in Brazil, and also allowed company employees to obtain kickbacks from company contractors. The case was resolved as part of a global resolution that included the DOJ, the SEC, and Brazilian authorities.



# Foreign Corrupt Practices Act Unit

## *Venezuela Corruption Charges and Guilty Pleas*

In 2018, the Department announced ten guilty pleas and numerous charges against individuals who were involved in paying and laundering billions of dollars in bribe payments to high-ranking officials in Venezuela, including the former Treasurer of Venezuela and officials of Venezuela's state-owned and state-controlled energy company, Petroleos de Venezuela S.A. (PDVSA), in exchange for business. The alleged conspirators include former Venezuelan officials, professional third-party money launderers, members of the Venezuelan elite, known as "boliburgués," as well as business owners.

In November 2018, charges were unsealed against Raul Gorrin Belisario, a Venezuelan billionaire and owner of Globovision news network. Gorrin was charged with conspiracy to violate the FCPA, conspiracy to commit money laundering, and money laundering for his role in a scheme to pay hundreds of millions of dollars in bribes to high-level Venezuelan government officials in order to secure lucrative currency exchange contracts. At the same time, the Department announced the guilty pleas of Gorrin's two co-conspirators, Alejandro Andrade Cedeno, the former Venezuelan National Treasurer, and Gabriel Arturo Jimenez Aray, the owner of Banco Peravia bank in the Dominican Republic. Both Andrade and Jimenez pleaded guilty to conspiracy to commit money laundering for their roles in the scheme. Andrade received over \$1 billion in bribes from Gorrin and other co-conspirators in exchange for choosing them to conduct exchange transactions for the Venezuelan government, and Jimenez worked with Gorrin to launder bribes and scheme proceeds through his bank. In November 2018, Andrade was sentenced to 120 months of imprisonment and Jimenez was sentenced to 36 months of imprisonment.

In April and July 2018, Cesar David Rincon Godoy and Luis Carlos De Leon Perez, both former Venezuelan officials, pleaded guilty to conspiracy to commit money laundering and conspiracy to violate the FCPA and conspiracy to commit money laundering, respectively. Rincon and De Leon were indicted last year along with three other former Venezuelan government officials on multiple charges 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.

In July 2018, Jose Manuel Gonzalez Testino, who controlled numerous U.S. and Panama-based energy and logistics companies, was charged by complaint for his role in a scheme to pay bribes to PDVSA officials in order to secure payment priority and additional PDVSA contracts.

In August 2018, Mathias Krull, a former managing director and vice chairman of a Swiss bank, pleaded guilty to conspiracy to commit money laundering for his role in laundering \$1.2 billion worth of funds embezzled from PDVSA; Krull was sentenced to 120 months of imprisonment in October 2018.

# Foreign Corrupt Practices Act Unit

## *Venezuela Corruption Charges and Guilty Pleas (continued)*

In September 2018, Juan Carlos Rincon Castillo, a former business executive of a U.S.-based logistics and freight forwarding company, pleaded guilty for his role in a scheme to corruptly secure contracts and contract extensions from PDVSA. At the same time, the Department announced the 2017 guilty plea of Jose Orlando Camacho, a former PDVSA official, whom Castillo bribed.

In October 2018, Abraham Edgardo Ortega, a former executive director at PDVSA pleaded guilty for his role in a billion-dollar international scheme to launder funds embezzled from PDVSA. Also in October 2018, Ivan Alexis Guedez, a former PDVSA procurement officer, pleaded guilty to conspiracy to launder money in order to promote and conceal a bribery scheme in which Houston-based PDVSA officials assisted a PDVSA supplier in receiving payment priority and additional PDVSA contracts.

And in December 2018, Alfonzo Eliezer Gravina Munoz, a former PDVSA procurement officer who pleaded guilty in 2015 to money laundering and tax charges in connection with his role in accepting bribes in exchange for assisting two businessmen in securing business with PDVSA, pleaded guilty to an additional charge of obstruction of justice for his actions in obstructing the Department's ongoing investigation into bribery and corruption at PDVSA.

Prior to 2018, the Department announced the guilty pleas of nine other individuals in connection with the ongoing probe into corruption at PDVSA. These cases are being prosecuted with the U.S. Attorneys' Offices for the Southern Districts of Florida and Texas.

## *Conviction of Chi Ping Patrick Ho*

In December 2018, a federal jury convicted Chi Ping Patrick Ho, the head of a non-governmental organization, China Energy Fund Committee (the CEFC NGO), which was based in Hong Kong and Virginia and held "Special Consultative Status" with the United Nations (UN) Economic and Social Council, for his participation in a multi-year, multimillion-dollar scheme to bribe top officials of Chad and Uganda in exchange for business advantages for a Chinese oil and gas company. Ho was convicted of one count of conspiracy to violate the FCPA, four counts of violating the FCPA, one count of conspiracy to commit international money laundering, and one count of international money laundering. The evidence at trial showed that Ho was involved in two bribery schemes to pay top officials of Chad and Uganda in exchange for business advantages for CEFC China Energy, a Shanghai-based multibillion-dollar conglomerate that operates internationally in multiple sectors, including oil, gas, and banking and which fully funded CEFC NGO. Ho awaits sentencing. This is a joint case with the U.S. Attorney's Office for the Southern District of New York.



# Foreign Corrupt Practices Act Unit

## *Criminal Enforcement Policy Declinations*

Pursuant to the November 2017 Corporate Enforcement Policy, in 2018, the Fraud Section issued declinations against four companies – Dun & Bradstreet Corporation, Guralp Systems Limited, Insurance Corporation of Barbados Limited, and Polycom, Inc.

- ***Dun & Bradstreet Corporation Declination:*** In April 2018, the Fraud Section issued a declination letter to Dun & Bradstreet Corporation, a New Jersey-based issuer, for bribery by its subsidiaries in China. The company voluntarily self-disclosed the conduct, cooperated with the investigation, and remediated. The SEC also resolved with Dun & Bradstreet through an administrative proceeding, and the company agreed to pay the SEC over \$6 million in disgorgement of profits, prejudgment interest of \$1.1 million, and a civil money penalty of \$2 million.
- ***Guralp Systems Limited Declination:*** In August 2018, the Fraud Section issued a declination letter to Guralp Systems Limited (GSL), a seismological company located in the United Kingdom. GSL paid bribes to Heon-Cheol Chi, the director of South Korea's Earthquake Research Center, to obtain unfair business advantages in the South Korean seismological market. In 2017, Chi was convicted at trial of one count of money laundering for laundering his bribe payments through a U.S. bank account. The declination letter was based on GSL's voluntary disclosure of the misconduct, remediation, and substantial cooperation, which resulted in the successful prosecution of the bribe recipient, Chi.
- ***Insurance Corporation of Barbados Limited Declination:*** In August 2018, the Fraud Section issued a declination letter to Insurance Corporation of Barbados Limited, an insurance company that paid bribes to the former Minister of Industry in Barbados, to secure contracts worth approximately \$1 million in revenue. The company voluntarily self-disclosed the conduct, cooperated with the investigation, including by providing relevant information about individuals, and remediated. ICBL agreed to pay nearly \$94,000 in disgorgement to the Department.
- ***Polycom, Inc. Declination:*** In December 2018, the Fraud Section issued a declination letter to Polycom, Inc., a manufacturer of communications devices whose subsidiaries paid bribes to Chinese officials to secure contracts worth approximately \$47 million in revenue and \$31 million in profits. The company voluntarily self-disclosed the conduct, cooperated with the investigation, and remediated. The company disgorged to the SEC \$10.7 million in profits and \$1.8 million in prejudgment interest, paid the SEC a civil money penalty of \$3.8 million, and disgorged \$20.3 million in profits to the Department and the U.S. Postal Inspection Service because that amount was outside the statute of limitations in the SEC's case.

# Health Care Fraud Unit

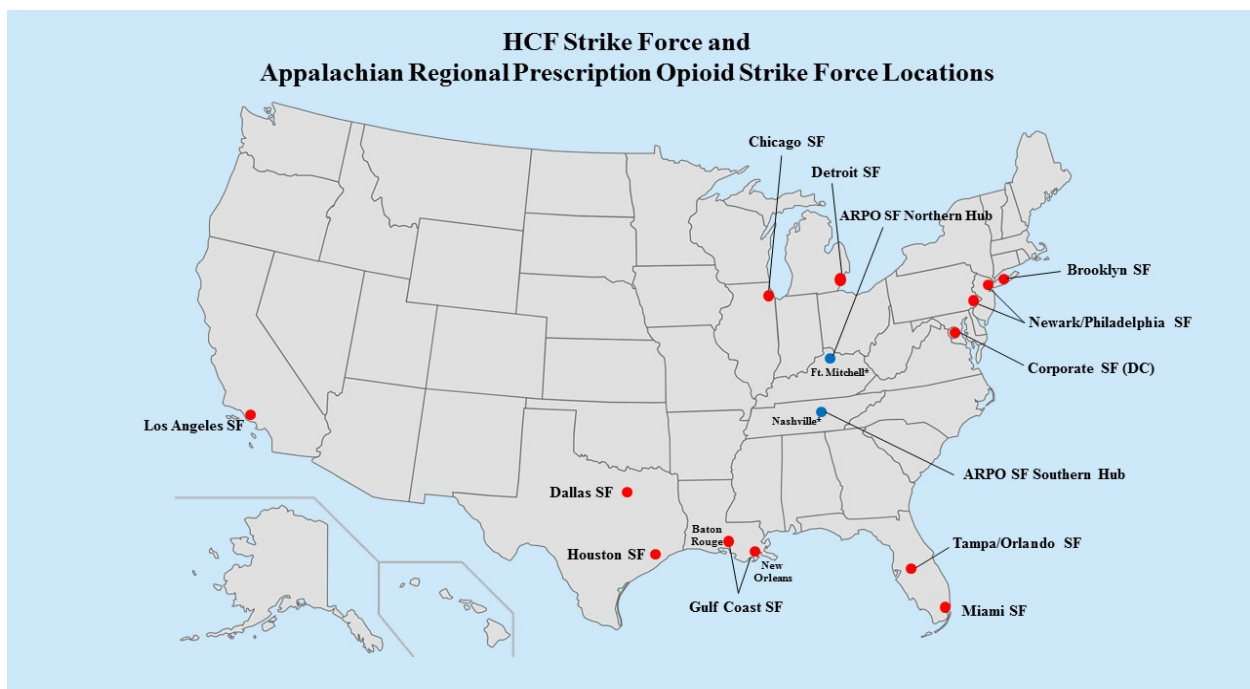
The HCF Unit has 60 prosecutors whose core mission is to prosecute health care fraud-related cases involving patient harm and/or large financial loss to the public fisc. The HCF Unit has a recognized and successful Strike Force Model for effectively and efficiently prosecuting health care fraud-related cases across the United States.

Specifically, the Strike Forces are modeled on a cross-agency collaborative approach, bringing together 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 (CMS) Center for Program Integrity (CPI), and other agencies (e.g., DEA, IRS, DCIS), along with the prosecutorial resources of U.S. Attorney's Offices and state and local law enforcement partners.

The effectiveness of the HCF Unit is made clear in its Impact on Investment, which, for FY 2018, was calculated at approximately \$100 to \$1. This FY 2018 impact analysis calculates both the amount the HCF Unit saved the Medicare and Medicaid Programs by preventing defendants from continuing to defraud Medicaid, Medicare, and other federal health care benefit programs through FY 2018 prosecutorial actions, as well as the monies the HCF Unit returned to the Medicare and Medicaid Trust Fund through these same actions.

In 2018, the HCF Unit cemented its partnerships with the Eastern District of Pennsylvania and the District of New Jersey, opening Strike Forces in Philadelphia and Newark, respectively. As discussed in more detail below, the HCF Unit launched the Appalachian Regional Prescription Opioid (ARPO) Strike Force in October 2018.

The below map shows the current list of HCF Strike Force locations, in partnership with the U.S. Attorney's Offices, and the ARPO hubs.



# Health Care Fraud Unit

In addition to focusing on the illegal prescription of opioids, the HCF Unit's fraud cases are increasingly complex, both in the individual Strike Force locations and the Corporate Strike Force, whose mission is to investigate and prosecute corporate fraud cases involving major health care providers that operate in multiple jurisdictions, with a focus on investigations and prosecutions of individuals.



## HCF Unit Statistics 2018

- **309** individuals charged
- **\$1.6 billion** in loss charged
- **180** individuals pleaded guilty
- **67** individuals charged with opioid-related crimes
- **25** individuals convicted at trial
- **178** individuals sentenced
- **1** corporate criminal enforcement action, resulting in **\$37.5 million** in corporate U.S. criminal fines and penalties, and total civil and criminal enforcement action amounts payable of **\$261 million**

\*As compared to 2017, in 2018 the HCF Unit had a **56%** increase in opioid defendants, a **40%** increase in the number of individuals charged, and a **20%** increase in number of convictions obtained.



# Health Care Fraud Unit

## *2018 National Health Care Fraud and Opioid Takedown*

In June 2018, former Attorney General Jeff Sessions and HHS Secretary Azar, announced the results of the 2018 Takedown – the single largest health care fraud law enforcement operation in history – led by the Fraud Section’s Health Care Fraud Unit with the participation of 58 U.S. Attorney’s Offices and 30 Medicaid Fraud Control Units.

The 2018 Takedown resulted in charges against 601 individuals, including 165 doctors, nurses, and other licensed medical professionals, involving approximately \$2 billion in fraudulent billings. The number of defendants charged in the Takedown by the HCF Unit represents a 65% increase from the 2017 Takedown.

Of the 601 individuals charged, 162 (including 32 doctors) were charged in cases involving the illegal distribution of opioids. Furthermore, to prevent further patient harm, the DEA revoked the DEA registrations for prescribers or had their registration numbers surrendered for cause, and CMS suspended a number of providers using its suspension authority as provided in the Affordable Care Act.

Below are some more significant numbers from the HCF Unit’s efforts:

- The HCF Unit charged 65 of the 165 medical professionals charged in the 2018 Takedown.
- The HCF Unit charged 27 of the 76 doctors charged in the 2018 Takedown.
- The HCF Unit charged 7 of the 32 doctors charged in cases involving the distribution of opioids.
- The HCF Unit charged 200 individuals with a fraud loss of **\$866 million**, accounting for approximately 40% of federal defendants charged in the Takedown and 44% of the total loss.

“Health care fraud is a betrayal of vulnerable patients, and often it is theft from the taxpayer,” said former Attorney General Sessions. “In many cases, doctors, nurses, and pharmacists take advantage of people suffering from drug addiction in order to line their pockets. These are despicable crimes. That’s why this Department of Justice has taken historic new steps to go after fraudsters, including hiring more prosecutors and leveraging the power of data analytics. Today the Department of Justice is announcing the largest health care fraud enforcement action in American history. This is the most fraud, the most defendants, and the most doctors ever charged in a single operation – and we have evidence that our ongoing work has stopped or prevented billions of dollars’ worth of fraud.”

# Health Care Fraud Unit

## *Launch of Newark/Philadelphia and ARPO Strike Forces*

As part of the HCF Unit's efforts to lead and coordinate a national approach to combating health care fraud, in August 2018, Assistant Attorney General Brian Benczkowski announced the creation of the Philadelphia/Newark Strike Force, a joint effort between DOJ, HHS, FBI, and DEA, to combat health care fraud and the opioid epidemic in the District of New Jersey and the Eastern District of Pennsylvania.

These two new Strike Force districts joined the existing ten Strike Force districts in prosecuting health care fraud crimes and the illegal prescriptions of opioids. In total, in FY 2017 and FY 2018, the Criminal Division's HCF Unit has charged 96 defendants for their roles in prescribing and distributing opioids and other dangerous narcotics. These charges allege the illegal prescription of more than 35 million dosage units of opioids. To date, of these 96 defendants, 57 defendants have been convicted of opioid-related crimes, and 39 await trial.

In October 2018, former Attorney General Sessions announced the creation of the Appalachian Regional Prescription Opioid Strike Force (ARPO SF). The Department, through its Criminal Division and nine U.S. Attorney's Offices, established the ARPO SF to better target criminal conduct associated with the improper prescription and distribution of prescription opioids throughout the Appalachian region – focusing especially on criminal conduct by physicians, pharmacists, and other medical professionals. The ARPO SF will assign 12 experienced health care fraud prosecutors, along with specialized agent resources, to support nine federal districts across and adjacent to the Appalachian region, deployed across two hubs. The Northern Hub, based in the Cincinnati/Northern Kentucky area, will support five districts: the Eastern District of Kentucky, the Western District of Kentucky, the Southern District of Ohio, the Northern District of West Virginia, and the Southern District of West Virginia. The Southern Hub based in Nashville, Tennessee, will support four districts: the Eastern District of Tennessee, the Western District of Tennessee, the Middle District of Tennessee, and the Northern District of Alabama. The ARPO SF will also investigate and prosecute violations of health care fraud whenever such fraud is detected through the Strike Force's work in the region.

# Health Care Fraud Unit

## *Dr. Gazelle Craig and Shane Faithful Jury Convictions and Sentencing (Houston Strike Force)*

In March 2018, a federal jury convicted Dr. Gazelle Craig, D.O., and Shane Faithful, the owner of Gulfton Clinic, on a four-count indictment charging each with one count of conspiracy to distribute unlawfully controlled substances and three counts of unlawful distribution of controlled substances. From March 2015 through their arrest in June 2017, the defendants operated Gulfton as a pill mill. Street-level drug dealers, called “facilitators,” brought approximately 30-60 individuals to Gulfton each day and paid these individuals to pose as patients to receive prescriptions for hydrocodone and carisoprodol, a drug combination known as the “Las Vegas Cocktail” and sold on the street for its high-like effect. To avoid detection from law enforcement, Shane and Faithful enacted strict measures in Gulfton, such as forbidding anyone in the clinic from possessing purses, books, and electronic devices; they also employed roughly five armed security guards both to control the crowds of people who flocked to Gulfton and to protect the defendants’ cash. According to evidence presented at trial, from March 2015 to June 2017, Craig wrote approximately 18,253 prescriptions for 2,163,283 pills of hydrocodone and 15,649 prescriptions for 1,389,209 pills of carisoprodol. Few, if any, of these prescriptions had any legitimate medical purpose and resulted in the sale of millions of pills dumped onto the streets of Houston. In September 2018, both defendants were sentenced to 35 years in prison.



# Health Care Fraud Unit

## *Health Management Associates, LLC Global Resolution (Corporate Strike Force)*

In fall 2018, Health Management Associates, LLC (HMA), formerly a U.S. hospital chain headquartered in Naples, Florida, entered into a global resolution and paid over \$260 million to resolve criminal charges and civil claims relating to a scheme to defraud federal health care programs. The government alleged that HMA knowingly billed federal health care programs for inpatient services that should have been billed as outpatient or observation services, paid remuneration to physicians in return for patient referrals, and submitted inflated claims for emergency department facility fees. As part of the criminal resolution, HMA entered into a three-year Non-Prosecution Agreement (NPA) with the Fraud Section in connection with a corporate-driven scheme to defraud federal health care programs by unlawfully pressuring and inducing physicians serving HMA hospitals to increase the number of emergency department patient admissions without regard to whether the admissions were medically necessary. The scheme involved HMA hospitals billing and obtaining reimbursement for higher-paying inpatient hospital care, as opposed to observation or outpatient care, from federal health care programs, increasing HMA's revenue. Under the terms of the NPA, HMA paid a \$35 million monetary penalty and agreed to abide by the terms of new Corporate Integrity Agreement with the HHS OIG. In addition, an HMA subsidiary hospital, Carlisle HMA, LLC, formerly doing business as Carlisle Regional Medical Center, pleaded guilty to one count of conspiracy to commit health care fraud and paid a \$2.5 million criminal fine. As part of the civil settlement, HMA paid \$223.4 million to the United States and the Medicaid Participating States to resolve civil False Claims Act allegations that HMA admitted patients to hospitals who required only less costly, outpatient care; billed federal health care programs for services referred by physicians to whom HMA provided remuneration in return for patient referrals; billed federal health care programs for services referred by physicians with whom the facilities had improper financial relationships; leased space to a physician at a below-market rent; and sought reimbursement for falsely inflated emergency department facility charges.



# Health Care Fraud Unit

## *United States v. Jorge Zamora-Quezada (Houston Strike Force)*

In May 2018, Jorge Zamora-Quezada, was indicted for his role in a \$240 million fraud scheme in which he falsely diagnosed vulnerable patients – including the young, elderly and disabled, from the Rio Grande Valley, San Antonio, and elsewhere – with various degenerative diseases, including rheumatoid arthritis. He and his co-conspirators then administered chemotherapy and other toxic medications to the patients based on that false diagnosis. In addition to falsely diagnosing patients, Zamora-Quezada and his co-conspirators allegedly conducted a battery of fraudulent, repetitive, and excessive medical procedures on patients in order to increase revenue and fund Zamora-Quezada's lavish and opulent lifestyle. As charged, Zamora-Quezada and his co-conspirators laundered the proceeds of the fraud and obstructed investigations by causing the creation of false and fictitious patient records and by concealing thousands of medical records from Medicare by stashing them in an unsecured and dilapidated barn located in the Rio Grande Valley. Zamora-Quezada is charged with one count of conspiracy to commit health care fraud, five counts of health care fraud, and one count of conspiracy to commit money laundering; he awaits trial.



## *National Health Care Fraud Training Conference*

The 2018 National Health Care Fraud Training Conference was held in September 2018 in Washington, D.C. and was attended by 360 criminal and civil prosecutors (representing over 60 U.S. Attorney's Offices) and law enforcement personnel from FBI, DEA, HHS-OIG, IRS Criminal Investigation, and DCIS, U.S. Postal Service, and the Department of Veterans Affairs-OIG. The Conference provided training on investigative techniques and tools, trial skills, case studies, and persistent and emerging schemes in both health care fraud and opioid abuse and drug diversion.



# Securities & Financial Fraud Unit

The roughly 45 prosecutors in the SFF Unit prosecute 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 corporate fraud, government procurement fraud, investment fraud, telemarketing fraud, insider trading, and commodities fraud.

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## SFF Unit Statistics 2018

- **66** individuals charged
- **32** individuals pleaded guilty
- **12** individuals convicted at trial
- **3** corporate criminal enforcement actions resulting in **\$373.1 million** in U.S. criminal fines, penalties, forfeiture, and restitution and total enforcement action amounts payable to the U.S of **\$886.5 million**.\*
- **1** declination in which the company agreed to disgorge illegal profits totaling more than **\$12.8 million** to either the Department or the SEC

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\* These statistics include the announced guilty plea by IAV GmbH, which is scheduled for mid-January 2019 and must be approved by the court.

### *Spoofing Initiative*

In 2018, the SFF Unit led an initiative to investigate and prosecute “spoofing” in commodities futures markets. Spoofing refers to a type of market manipulation involving the injection of orders designed to trick market participants into trading at inaccurate price points. As part of the initiative, the Fraud Section has charged over a dozen individuals with spoofing-related crimes, and has obtained convictions of several traders affiliated with both large financial institutions and medium-sized proprietary trading companies. Highlights of the spoofing initiative in 2018 included the guilty pleas of traders at Tower Research Capital, who spoofed the “E-Mini” market, and a JP Morgan trader, who spoofed precious metals futures markets. Trials are set for 2019 in several other spoofing cases, and the Section anticipates continuing to investigate and hold accountable individuals and institutions that undermine the integrity of the markets.



# Securities & Financial Fraud Unit

## *Convictions in Deutsche Bank LIBOR Manipulation*

In October 2018, a federal jury convicted a former supervisor of Deutsche Bank's Pool Trading Desk and a former derivatives trader for their participation in a scheme to manipulate the London Interbank Offered Rate (LIBOR), a critical global benchmark which was tied to trillions of dollars in derivatives, loans, mortgages, and other financial products. Former Deutsche Bank supervisor, Matthew Connolly, was convicted of one count of conspiracy and two counts of wire fraud, and former derivatives trader, Gavin Campbell Black, was convicted of one count of conspiracy and one count of wire fraud. According to evidence presented at trial, Connolly supervised traders who traded USD LIBOR-based derivative products. Black was a director on Deutsche Bank's Money Market and Derivatives Desk in London, who also traded USD LIBOR-based derivative products. In order to increase Deutsche Bank's profits on derivatives contracts tied to the USD LIBOR, Connolly directed his subordinates to reach out to Deutsche Bank's LIBOR submitters to ask them to submit false and fraudulent LIBOR contributions consistent with his traders' or the banks' financial interests, rather than the honest and unbiased costs of borrowing. The jury also heard evidence that Black asked Deutsche Bank's cash traders who were responsible for submitting the bank's LIBOR rates to ask that they adjust their submissions to favor his derivative trading positions. According to evidence at trial, Deutsche Bank LIBOR submitters abused their position as a LIBOR panel bank and submitted a false and fraudulent USD LIBOR on the basis of what benefited Connolly and Black's trading books, i.e., a number that would help them make more money.

In April 2015, Deutsche Bank entered into a deferred prosecution agreement to resolve wire fraud and antitrust charges, and Deutsche Bank Group Services (UK) Limited pleaded guilty to one count of wire fraud, collectively agreeing to pay a \$775 million fine, for the bank's role in the scheme. Two Deutsche Bank traders pleaded guilty to fraud charges related to the LIBOR manipulation scheme. The case was prosecuted with the Antitrust Division.

## *Conviction of State Street Executive Ross McLellan*

Following a three-week jury trial in June 2018, a federal jury convicted Ross McLellan, a former executive vice president of State Street Bank, on one count of conspiracy, two counts of wire fraud, and two counts of securities fraud. Evidence at trial demonstrated that McLellan participated in a scheme to defraud the bank's clients by charging undisclosed commissions and markups in connection with portfolio transition management services. The evidence established that McLellan overcharged clients who sought State Street's advice on how to transition billions of dollars in investments from one asset manager to another. Two of McLellan's subordinates pleaded guilty for their roles in the scheme and testified at trial. McLellan's conviction followed State Street's agreement in 2017 to pay a \$32 million fine to resolve its criminal liability through a deferred prosecution agreement. This is a joint case with the U.S. Attorney's Office for the District of Massachusetts.

# Securities & Financial Fraud Unit

## *United States v. Edwin Fujinaga, et al.*

In November 2018, after a four week trial, a federal jury convicted Edwin Fujinaga, the former president and CEO of MRI International, a Nevada-based investment company, of 20 counts of fraud and money laundering. According to the indictment, from at least 2009 until on or about April 2013, Fujinaga, along with former executive vice president Junzo Suzuki and general manager Paul Suzuki, conspired to induce victims to transmit money to MRI for the purpose of purchasing debts owed by recipients of medical services or products to the individuals or entities that provided those services (also known as medical accounts receivables, or MARS). Among other things, the defendants allegedly represented to potential investors that MRI would purchase these accounts at discounted rates and then, through their purportedly superior collections capabilities, collect on the accounts and generate profits that would provide consistent, predictable returns to the investors. As charged, the defendants, however, regularly expended investor money for things other than purchasing MARS, including paying themselves sales commissions, subsidizing gambling habits, paying for personal travel by private jet, and other personal expenses. Moreover, when the investments of prior investors began to mature, MRI paid off the investments with money solicited from new investors. Based on the defendants' fraudulent misrepresentations, the defendants allegedly induced thousands of investors to invest a total of over \$1.5 billion.

## *Bankrate's Former CFO's Guilty Plea and Sentencing to 10 Years of Imprisonment*

In June 2018, Edward DiMaria, the former chief financial officer of Bankrate, Inc., a publicly traded financial services and marketing company, pleaded guilty to orchestrating a complex accounting and securities fraud scheme that caused more than \$25 million in shareholder losses. DiMaria admitted that he oversaw a scheme to manipulate 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. DiMaria also admitted that he made materially false statements to Bankrate's independent auditors to conceal the improper accounting entries, and he caused Bankrate's financial statements filed with the SEC to be materially misstated. DiMaria's guilty plea came after his own indictment and the indictment and guilty plea of Bankrate's former vice president of finance. In September 2018, DiMaria was sentenced to 10 years in prison and was ordered to pay approximately \$21 million in restitution.



# Securities & Financial Fraud Unit

## *United States v. IAV GmbH*

In December 2018, IAV GmbH (IAV), a German company that engineers and designs automotive systems, was charged by information with one count of conspiracy to defraud the United States, to commit wire fraud, and to violate the Clean Air Act. The charges stem from IAV's role in designing and improving the illegal test recognition software that Volkswagen AG (VW) installed in diesel vehicles sold in the United States, knowing that the purpose of the software was to enable VW to cheat on U.S. emissions tests. IAV has agreed to pay a criminal fine of \$35 million and be subject to an independent monitor for two years. A change of plea hearing has been scheduled for January 18, 2019. This is a joint case with the District of Michigan and the Environment and Natural Resources Division.



## *Costa Rican Telemarketing*

In February 2018, a federal jury convicted two residents of Costa Rica for their roles in operating a telemarketing “boiler room,” which defrauded U.S. citizens, most of whom are senior citizens, through false promises of sweepstakes winnings. Andrew Smith and Christopher Griffin were found guilty of conspiracy, wire fraud, and money laundering for their participation in a scheme that cost victims over \$10 million. Evidence at trial established that Smith and Griffin operated a call center based in San Juan, Costa Rica, from which conspirators would contact victims and represent that they had won a “sweepstakes prize,” which they could collect in exchange for an up-front fee. The scheme targeted elderly Americans and the jury heard testimony from victims in their 80s and 90s. Conspirators often posed as U.S. Government officials and, in some cases, threatened victims by suggesting that they knew the address of victims and family members.

This case was the most recent jury trial arising from the SFF Unit's telemarketing enforcement efforts. In the past five years, SFF Unit prosecutors have charged 48 defendants for participating in fraudulent telemarketing schemes and have obtained 30 convictions. To date, 20 defendants have received custodial sentences, four of which were greater than 100 months. SFF Unit prosecutors work closely with authorities in Costa Rica and eight defendants have been extradited to the United States in the past two years alone.

# Strategy, Policy & Training Unit

The SPT Unit focuses on combatting national and international economic crimes by overseeing and developing strategic enforcement, policy, and training initiatives to strengthen the Section's ability to prosecute health care fraud, financial fraud, and foreign bribery. Throughout 2018, the SPT Unit partnered with the Section's management and other units in advising Department leadership on anti-fraud legislation, corporate enforcement policies, and prosecutor training; coordinating national and international law enforcement cooperation and information-sharing in the public and private sectors; assisting prosecutors to evaluate corporate compliance programs and monitorships; contacting federal investigative agencies and advising prosecutors in fulfilling their *Giglio*-related responsibilities; and assisting in trial and appellate litigation. The SPT Unit has 7 attorneys.

During 2018, the Section focused on, among other things:

- Training attorneys on, among other things, investigative issues, tools and tips for charging individuals and corporations, and obtaining foreign evidence; and
- Expanding its crime victim assistance program to assist fraud victims by securing funding to hire a full-time victim attorney and victim specialist and by coordinating with financial fraud victim assistance experts to expand victim resources.



The SPT Unit also oversees various substantive litigation matters, including appeals in coordination with the Appellate Section of the Criminal Division and trial preparation in coordination with supervisors and trial attorneys in each of the litigating units. During 2018, the unit monitored approximately 80 appeals, filed 12 appellate briefs, presented 8 oral arguments in three circuits, and oversaw 26 opening statement moots for trials.



# Strategy, Policy & Training Unit

## *Training*

The SPT unit coordinated training programs to strengthen attorneys' investigation, prosecution, and trial skills, such as:

- Trial skills training sessions focused on sharing lessons learned from several jury trials;
- An all-day training program on prosecuting and investigating fraud; and
- A training on virtual currency.

## *London Detail*

In August 2018, the Fraud Section detailed senior prosecutor Albert "BJ" Stieglitz to the U.K.'s Serious Fraud Office (SFO) for one year where he is, among other things, strengthening the existing cooperative relationship with the SFO. Previously, Stieglitz was detailed for one year to the U.K.'s Financial Conduct Authority (FCA). At the conclusion of his one-year SFO detail, Stieglitz will return to the Fraud Section to investigate and prosecute transnational economic crimes and provide additional training to prosecutors on effectively coordinating with the FCA and SFO in international financial fraud and bribery cases.

Additionally, the SPT Unit responded to nearly 100 requests for changes to legislation, the U.S. Sentencing Guidelines, the Federal Rules of Criminal Procedure, and DOJ policies; resolved approximately 50 FOIA requests, and responded to more than 260 fraud complaints from individuals across the nation. The SPT Unit also coordinated the Section's training and speaking presentations, which included internal and external training sessions and approximately 90 public speaking engagements.

