



## Examples of Public Corruption Investigations - Fiscal Year 2011

The following examples of public corruption investigations are written from public record documents on file in the court records in the judicial district in which the cases were prosecuted.

### Ex-MetroHealth Hospital Official Sentenced in Corruption Probe

On February 9, 2011, in Cleveland, Ohio, Thomas J. Greco, Jr. was sentenced to 112 months in prison for his role in a bribery scheme involving construction contracts for the MetroHealth System. Greco was found guilty by a jury on June 8, 2010, of conspiracy to commit bribery concerning Ppograms receiving federal funds; bribery concerning programs receiving federal funds; Hobbs Act conspiracy, extortion under color of official right; making and subscribing to a false tax return; and conspiracy to commit mail fraud. According to court documents, Greco previously worked as the construction manager for the MetroHealth System, a hospital system supported by Cuyahoga County taxpayers. In that role, Greco and former MetroHealth Vice President John Carroll helped East-West Construction Co. get contracts at MetroHealth. In return, East-West executive Nilesh Patel provided things of value to Carroll and Greco. Carroll was provided trips abroad while Greco received gift cards, among other things. Carroll, Patel and Greco funded the bribes by causing MetroHealth to pay inflated costs to East-West Construction.

### Former Field Investigator with New Jersey Department of Labor Sentenced in Bribery Scheme

On January 21, 2011, in Camden, N.J., James Peyton was sentenced to 42 months in prison in connection with a bribery scheme. Peyton previously pleaded guilty to an Information charging him with acceptance of a bribe and subscribing to a false tax return. Peyton's responsibilities as a field investigator included conducting audits of employer books and records, reviewing quarterly payroll tax filings, and taking other investigative steps to ensure employer compliance with various payroll tax laws. According to court documents and statements made in court, Peyton admitted that from 2006 to 2009, he solicited and accepted corrupt cash payments from owners or operators of temporary labor firms that were in the scope of his inspection activities with the intent to be influenced in the performance of his official duties as an employee of the Department of Labor. According to the Complaint, Peyton took as much as \$8,000 in cash bribes per quarter. Peyton admitted that in exchange for corrupt payments, he prepared tax forms that intentionally understated the amount of tax owed to the state by temporary labor firms. Peyton also admitted that he filed a 2007 U.S. Individual Income Tax Return that contained false information. He falsely claimed total taxable income of \$65,728 for the calendar year 2007, which failed to claim his income gained through the bribery scheme.

### Former Ohio County Auditor Sentenced to Nearly 22 Years in Prison

On December 15, 2010, in Cleveland, Ohio, Frank P. Russo, former Cuyahoga County Auditor, was sentenced to 262 months in prison and ordered to pay \$6,970,905 in restitution. According to court documents, between March 1998 and May 2009, when he was employed as the Cuyahoga County Auditor, Russo participated in schemes involving more than \$1.2 million in bribes in the form of cash, home improvements and travel to Las Vegas, Nevada, in exchange for county contracts, jobs, raises, reductions in tax valuations and other official favors. Russo took more than \$1.2 million in bribes in exchange for giving more than \$21.4 million in commercial real estate contracts to VAS Enterprises, according to court documents. In addition, Russo gave Joseph Gallucci a job and cash in exchange for running a sham campaign against him. Russo also filed false tax returns for the years 2004 through 2008 and he obstructed justice. Russo met with a friend at a religious shrine in suburban Cleveland in 2009. He asked the friend to tell investigators that a \$10,000 bribe payment Russo accepted was actually a donation made when Russo's son died in 1995.

### Former Bureau of Prisons Employee Sentenced For Fraud, Conflict Of Interest

On December 14, 2010, in Pensacola, Fla., former federal Bureau of Prisons employee James Lee Bailey was sentenced to 27 months in prison and three years of supervised release on charges that he conspired to manipulate the sale of surplus equipment from the UNICOR factory at the Marianna, Florida federal prison facility. Bailey, of Marianna, had earlier entered guilty pleas to charges of conspiracy to violate the laws of the United States, conflict of interest, deprivation of honest services, money laundering, and making a false statement. As part of his sentence, Bailey is required to pay a \$5,000 fine, to forfeit \$25,000, and to pay \$1,900 in special monetary assessments. The superseding indictment alleged that between 2004 and 2007, Bailey and Marianna business man Lee J. Temples maintained an undisclosed business relationship involving Fast-Lane Computers and E-Surplus Solutions. In Bailey's position as the factory manager and industrial specialist at the UNICOR computer recycling factory in Marianna, he was responsible for selling on eBay surplus computer equipment that had been refurbished by BOP inmates. Temples, his cousin, became the exclusive eBay contractor for UNICOR. UNICOR is a wholly-owned, self-sustaining Government corporation operated by the Bureau of Prisons (BOP). The superseding indictment alleged that Bailey directed the highest quality equipment to Temples and took steps to eliminate potential competition from other UNICOR contractors. Profits from these arranged sales were split between Bailey and Temples, with Bailey receiving \$253,252 over the course of three years.

### Former Two-Year College System Chancellor Sentenced to Over 6 Years in Prison

On November 18, 2010, in Birmingham, Ala., Roy W. Johnson, Jr., the former Alabama two-year college system Chancellor, was sentenced to 78 months and ordered to forfeit \$18,206,485 and his Opelika house. Johnson pleaded guilty in March 2008 to a 15-count Information that charged him in connection with bribery and kickback schemes with several contractors who sought work with the Alabama Department of Postsecondary Education and its subordinate institutions – more than 25 two-year and technical colleges across the state. According to court documents, from 2002 through 2006, Johnson used his position as Chancellor to corruptly enrich himself and members of his family. He solicited and received money and services from contractors and, in return, helped those contractors get business within the postsecondary department. After learning he was under investigation, Johnson tried to hide his crimes and obstruct the investigation through the use of false invoices, fraudulent loans and fictitious entities to move money from the state to himself and his family members. As part of his plea agreement, Johnson agreed to cooperate with the government in its investigation of corruption in the two-year college system.

### Former General Counsel of the Northeast Ohio Regional Sewer District Sentenced on Bribery and Tax Charges

On October 19, 2010, in Cleveland, Ohio, William B. Schatz was sentenced to 70 months in prison, followed by two years of supervised release and ordered to pay \$849,070 in restitution. Schatz, of Moreland Hills, Ohio, pleaded guilty to charges of bribery in federally funded programs, theft and embezzlement in federally funded programs, and filing false tax returns for corruptly soliciting and accepting bribes while he served as general counsel of the Northeast Ohio

Regional Sewer District (NEORS). According to court documents, from 1979 until August 2007, Schatz was the general counsel of the NEORS. During his tenure, the NEORS had major sewage tunnel contracts including the Mill Creek Tunnel Contract, Phases 2 and 3. Schatz admitted that from in or about 2000, through on or about April 26, 2007, he corruptly solicited and accepted approximately \$682,130, from a contractor, Robert J. Kassouf, whose company, The Kassouf Company, was part of a Joint Venture working on the Mill Creek Tunnel Contracts. Schatz received the payments through an intermediary company, Harvard Refuse, Inc. and its president, Stanley Lojek. Schatz also admitted that from in or about 2002, through on or about December 15, 2005, he embezzled, stole, and obtained by fraud, NEORS property by, among other things, depositing checks made payable to NEORS (including insurance premium returns and NEORS tenant payments) totaling approximately \$166,940 into accounts he controlled using a fraudulent deposit stamp he had obtained for this purpose. Schatz further admitted that he failed to report approximately \$822,322 income from his private law practice, as well as his bribery and embezzlement income, on his tax returns for calendar years 2003 through 2007.

#### **Former North Carolina County Sheriff Sentenced for Misappropriating County Funds**

On October 13, 2010, in New Bern, N.C., Ralph Thomas, former Carteret Sheriff, was sentenced to 14 months in prison, to be followed by three years of supervised release and ordered to pay \$84,880 in restitution. Thomas, of Beaufort, North Carolina, pleaded guilty in May 2010 to conspiring to commit an offense against the United States for misappropriating county funds. According to court documents, from 1997 to 2006, Thomas stole funds that were designated for the use of covert drug investigations. After drug funds were cashed, Thomas would take a portion of the funds (between 25-50 percent) for his own use.

#### **U.S. Army Major Sentenced to 21 Months in Prison for False Statements Charge Related to Attempt to Smuggle Currency from Iraq to the United States**

On October 8, 2010, in Memphis, Tenn., U.S. Army Major Charles Sublett was sentenced to 21 months in prison, two years of supervised release and ordered to forfeit \$107,900 and 17,120,000 Iraqi dinar for smuggling more than \$100,000 in currency from Iraq. According to court documents, Sublett was deployed to Balad Regional Contracting Center on Logistical Support Area (LSA) Anaconda in Iraq from August 2004 through February 2005. LSA Anaconda is a U.S. military installation that was established in 2003 to support U.S. military operations in Iraq. According to the indictment, Sublett served as a contracting officer while deployed to LSA Anaconda. As a contracting officer, Sublett was responsible for, among other things, evaluating and supervising contracts with companies that provide goods and services to the U.S. Army. Sublett admitted that, on January 11, 2005, he sent a package from Balad, Iraq, to Killeen, Texas, which was seized by U.S. Customs and Border Protection officers in Memphis. Sublett admitted that, on the international air waybill, he falsely described the contents of the package as books, papers, a jewelry box and clothes with a total declared customs value of \$140 when, in fact, Sublett knew the package contained \$107,900 in U.S. currency and 17,120,000 in Iraqi dinar. Sublett also admitted that he failed to file a currency or monetary instruments transaction report (CMIR) as required by federal law when transporting currency in amounts of more than \$10,000 into or out of the United States. During the plea hearing, Sublett admitted to making false claims to investigators regarding his attempt to bring the currency into the United States in an effort to impede their investigation.

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