

**REPORT TO CONGRESS
ON THE ACTIVITIES AND OPERATIONS
OF THE
PUBLIC INTEGRITY SECTION
FOR 1999**



**Public Integrity Section
Criminal Division
United States Department of Justice**

**Submitted Pursuant to
Section 603 of the Ethics in Government Act of 1978**

INTRODUCTION

This Report to Congress is submitted pursuant to the Ethics in Government Act of 1978, which requires that the Department of Justice report annually to Congress on the operations and activities of the Department's Public Integrity Section. The Report describes the Section's activities during 1999. It also provides statistics on the nationwide federal effort against public corruption during 1999 and over the previous two decades.

The Public Integrity Section was created in 1976, consolidating in one unit of the Criminal Division the Department's oversight responsibilities with respect to the prosecution of criminal abuses of the public trust by government officials. Section attorneys prosecute selected cases involving federal, state, or local officials, and also provide advice and assistance to prosecutors and agents in the field regarding the handling of public corruption cases. In addition, the Section serves as the Justice Department's center for handling various issues that may arise regarding public corruption statutes and cases.

In 1978 the Section was given the responsibility of administering the Independent Counsel provisions of the Ethics in Government Act, an extremely sensitive area of federal law enforcement focusing on criminal allegations against top officials of the federal executive branch. Over the next two decades the Section handled the initial review of allegations raising questions under the Act, conducted preliminary investigations when warranted, and made recommendations to the Attorney General as to whether appointment of an independent counsel was required in specific cases. When the Act expired on June 30, 1999, the Department addressed this area of criminal law enforcement through regulations that set forth the Attorney General's discretionary authority to appoint a special counsel in certain cases. The Section was given the responsibility to assist in the handling of allegations raising questions under the regulations.

In 1980 an Election Crimes Branch was created within the Section to supervise the Department's nationwide response to election crimes, another form of corruption offense with sensitive law enforcement overtones. The Branch reviews all major election crime investigations throughout the country and all proposed criminal charges relating to election crime.

Lee J. Radek continued to serve as Chief of the Section throughout 1999. The Section maintained a staff of approximately 25 attorneys, including experts in extortion, bribery, election crimes, and criminal conflicts of interest.

Part I of the Report discusses the operations of the Public Integrity Section and highlights its major activities in 1999. Part II describes the cases prosecuted by the Section in 1999. Part III presents nationwide data based on the Section's annual surveys of United States Attorneys regarding the national federal effort to combat public corruption from 1980 through 1999.

TABLE OF CONTENTS

PART I

OPERATIONAL RESPONSIBILITIES OF THE PUBLIC INTEGRITY SECTION

A.	RESPONSIBILITY FOR LITIGATION	1
1.	Recusals by United States Attorneys' Offices	1
2.	Sensitive and Multi-District Cases	2
3.	Federal Agency Referrals	3
4.	Requests for Assistance; Shared Cases	4
B.	SPECIAL SECTION PRIORITIES	5
1.	Special Counsel and Independent Counsel Matters	5
2.	Election Crimes	6
3.	Conflicts of Interest Crimes	8
C.	LEGAL AND TECHNICAL ASSISTANCE	9
1.	Training and Advice	9
2.	Advisor to President's Council on Integrity and Efficiency and Executive Council on Integrity and Efficiency	10
3.	Southwest Border Initiative	10
4.	International Advisory Responsibilities	11
5.	Legislative Activities	13
6.	Case Supervision and General Assistance	13

PART II

PUBLIC INTEGRITY SECTION INDICTMENTS, PROSECUTIONS, AND APPEALS IN 1999

INTRODUCTION	14
FEDERAL JUDICIAL BRANCH	14
FEDERAL LEGISLATIVE BRANCH	17
FEDERAL EXECUTIVE BRANCH	17
STATE AND LOCAL GOVERNMENT	26
ELECTION CRIMES	34

PART III

**NATIONWIDE FEDERAL PROSECUTIONS
OF CORRUPT PUBLIC OFFICIALS**

INTRODUCTION	36
LIST OF TABLES	36
TABLE I: Nationwide Federal Prosecutions of Corrupt Public Officials in 1999	37
TABLE II: Progress Over the Past Two Decades: Nationwide Federal Prosecutions of Corrupt Public Officials	38
TABLE III: Federal Public Corruption Convictions by District Over the Past Decade	40

PART I

OPERATIONAL RESPONSIBILITIES OF THE PUBLIC INTEGRITY SECTION

A. RESPONSIBILITY FOR LITIGATION

The work of the Public Integrity Section focuses on crimes involving corruption by public officials -- that is, abuses of the public trust by government officials. Most of the Section's resources are devoted to the supervision of investigations involving alleged corruption by government officials and to prosecutions resulting from these investigations. Decisions to undertake particular matters are made on a case-by-case basis, based on Section resources, the type and seriousness of the allegation, the sufficiency of factual predication suggesting criminal conduct, and the availability of federal prosecutive theories to reach the conduct. Cases handled by the Section fall primarily into the following four categories:

1. Recusals by United States Attorneys' Offices

As reflected in the statistical charts in Part III, the vast majority of federal corruption prosecutions are handled by the local United States Attorney's Office for the geographic district where the crime occurred. However, at times prosecution of a particular corruption case by the local United States Attorney's Office may be inappropriate.

Public corruption cases tend to raise unique problems of public perception that may be absent in more routine criminal cases. An investigation of the alleged corruption of a government official, whether at the federal, state, or local level, always has the potential to be high-profile, simply because its focus is on the conduct of a public official. These cases may also be politically sensitive because their ultimate targets tend to be politicians, or agents or employees of politicians.

To be successful, public corruption cases require that both the appearance and the reality of fairness and impartiality be maintained. Therefore, if the United States Attorney or a prosecutor in his or her office has had a significant business, social, political, or personal relationship with a subject or principal witness in a corruption investigation, it may be difficult, and often inappropriate, for that office to handle the investigation. Cases involving corruption allegations in which the conflict is substantial are usually referred to the Public Integrity Section either for prosecution or direct operational supervision.

Allegations of criminal misconduct by federal judges and other judicial officers almost always require local recusal, a procedure through which the United States Attorney steps aside as primary prosecutor. There are important policy and practical reasons for recusal by the local office in these cases. In addition to possible professional or social ties with a judge who is the subject or target of the investigation, local prosecutors are likely to have official responsibilities before the judge on their other cases, both during and after the investigation. Having the case handled outside the local office

eliminates the possible appearance of bias, as well as the practical difficulties and the awkwardness that would arise if a prosecutor investigating a judge were to appear before the judge on other matters. Thus, as a matter of established Department practice, judicial corruption cases generally are handled by the Public Integrity Section.

Similar concerns regarding bias also arise when the target of an investigation is a federal prosecutor, or a federal investigator or other employee assigned to work in or closely with a particular United States Attorney's Office. If an Assistant United States Attorney were to investigate a fellow AUSA in the same office, the public may well question the vigor and impartiality of the investigation. Thus, cases involving United States Attorneys, AUSAs, or federal investigators or employees working with AUSAs in the field generally result in a recusal of the local office. These cases are typically referred to the Public Integrity Section, where they constitute a significant portion of its caseload, as can be seen from a review of the cases described in Part II.

During 1999 the Section handled a number of significant cases as a result of recusals. For example, one of these cases involved a scheme to attack the integrity of the federal court system by leveling false accusations against a federal judge in Florida to disqualify the judge from presiding over a pending criminal case. Two defendants pled guilty to obstruction of justice and related charges, a third was convicted at trial, and the lead defendant was sentenced to ten years of imprisonment. Another recusal case culminated in a 30-month prison sentence for a paralegal in the Nevada United States Attorney's Office for embezzling over one million dollars from the government over a ten-year period.

2. Sensitive and Multi-District Cases

In addition to recusals, the Public Integrity Section also handles two other special categories of cases. At the request of the Assistant Attorney General of the Criminal Division, the Section handles cases that are highly sensitive and cases that involve the jurisdiction of more than one United States Attorney's Office.

Cases may be sensitive for any number of reasons. Because of its importance, a particular case may require close coordination with high-level Department officials. Alternatively, it may require substantial coordination with other federal agencies in Washington. The latter includes cases involving classified information, which require careful coordination with the intelligence agencies. Sensitive cases also include those that are so politically controversial on a local level that they are most appropriately handled out of Washington.

The Section handled a number of cases of this sort in 1999. One case resulted in the conviction of a senior State Department official for a criminal conflict of interest. During 1999 the Section also resolved conflict of interest allegations against a number of high-level government officials, with the concurrence of the Civil Division, by civil settlements. These cases included an Assistant Secretary of State and a Deputy Inspector General of the Defense Department.

During 1999 the Public Integrity Section also handled, along with the Criminal Division's Fraud Section, the Department's investigation of alleged corruption relating to Salt Lake City's bid for the 2002 Winter Olympics. This joint investigation resulted in the 1999 tax conviction of a Utah businessman and the 1999 indictment of the son of one of the members of the International Olympic Committee on fraud charges, and is still ongoing.

During the year the Section also remained actively involved in the Department's investigation of alleged campaign-financing violations relating to the 1996 presidential election. In late 1996 the Attorney General established a task force to investigate these allegations. In 1999 several Section attorneys were detailed to the task force, and significant Section resources were devoted to task force matters, including the analysis of legal issues raised by the allegations and the review of proposed campaign-financing charges stemming from the task force investigation.

The third category of special cases handled by the Section, multi-district cases, are simply cases that involve allegations that cross judicial district lines, and hence fall under the jurisdiction of two or more United States Attorneys' Offices. In these cases the Section is occasionally asked to coordinate the investigation among the various United States Attorneys' Offices, or, when appropriate, to assume operational responsibility for the entire case. For example, in 1999 the Section handled a multi-district case involving allegations that false documents were submitted in connection with federal civil cases pending in the Eastern and the Western Districts of Wisconsin. Two employees of the Environmental Protection Agency were indicted in 1999 on obstruction of justice and perjury charges relating to this case.

3. Federal Agency Referrals

In another area of major responsibility, the Section handles matters referred to it directly by federal agencies concerning possible federal crimes by agency employees. The Section reviews these allegations to determine whether an investigation of the matter is warranted and, ultimately, whether the matter should be prosecuted.

Agency referrals of possible employee wrongdoing are an important part of the Section's mission. The Section works closely with the Offices of Inspector General for the executive branch agencies, and also invests substantial time in training agency investigators in the statutes involved in corruption cases and the investigative approaches that work best in these cases. These referrals require close consultation with the agency IG's Office, prompt prosecutive evaluation, and, when a referral warrants investigation, coordination of joint investigations among the FBI, the IG, and any other investigative office that may be involved. In 1999, a referral from the Federal Aviation Administration led to the indictment of an FAA official for theft and computer fraud relating to his conversion of over \$30,000 of federal funds. Another agency referral, from NASA, resulted in the 1999 conviction of a senior NASA official for theft from the government. Both of these cases are examples of successful IG investigations.

Another 1999 corruption case that arose out of an agency referral involved a scheme by a senior official of the Federal Highway Administration and his wife to steer multi-million dollar government

research contracts to favored contractors in return for more than \$170,000 in personal loans and consulting contracts. The case was jointly investigated by the FBI and the Department of Transportation's Office of Inspector General and resulted in the indictment of the couple in 1999 on bribery, fraud, and kickback charges. Both subsequently pled guilty.

During the year the Section also continued to focus particular attention on referrals from the intelligence agencies. Matters involving employees of these agencies may be unusually sensitive, requiring high-level security clearances and the application of specialized statutes. For example, a referral from the Central Intelligence Agency led to the 1999 conviction of a CIA supervisor for misusing her access to CIA credit cards to steal over \$30,000 from the government. As a result of another intelligence agency referral, a senior CIA official agreed to return \$48,700 to the government, which was the profit made by his spouse on the exercise of certain stock options, to resolve a civil complaint charging that the official violated a federal conflict of interest law by acting officially in a matter in which his spouse had a financial interest.

4. Requests for Assistance; Shared Cases

The final category of cases in which the Section becomes involved are cases that are handled jointly by the Section and a United States Attorney's Office or other component of the Department.

Joint responsibility for a case occurs for a number of reasons. At times the available prosecutorial resources in a United States Attorney's Office may be insufficient to undertake sole responsibility for a significant corruption case. In these cases the local office may request the assistance of an experienced Section prosecutor to share responsibility for prosecuting the case. In addition, on occasion the Section may be asked to provide operational assistance or to assume supervisory responsibility for a case due to a partial recusal of the local office. Finally, the Public Integrity Section may be assigned to supervise or assist with a case initially assigned to another Department component.

In 1999 the Section shared operational responsibility in a number of significant corruption cases. One example is the ongoing investigation of Salt Lake City's bid for the 2002 Winter Olympics, which is being handled by the Public Integrity Section and the Criminal Division's Fraud Section. Another example is a bribery case relating to Defense Department shipping contracts, which is being handled by the Section and the United States Attorney's Office for the Eastern District of New York.

B. SPECIAL SECTION PRIORITIES

In addition to the general responsibilities discussed above, in 1999 the Public Integrity Section also was involved in a number of additional priority areas of criminal law enforcement. These areas are discussed below.

1. Special Counsel and Independent Counsel Matters

During the first half of 1999, the Section continued to administer the Independent Counsel Act, codified at Title 28 of the United States Code, Sections 591-599. Over the past twenty years the Public Integrity Section had been responsible for supervising the administration of the Act, which required the Attorney General to decide whether a criminal allegation involving a top official of the executive branch of the federal government, such as the President or one of his senior advisors or Cabinet heads, must be investigated by someone outside the Department of Justice. This decision had to be made in a short period of time, and without the benefit of normal investigative tools, such as grand jury process and plea bargaining.

The purpose of this legislation was to ensure both the appearance and the reality of impartial prosecutive decisions concerning the President and high-level government officials who serve the President. Its premise was that the Attorney General of the United States, who was appointed by and served under a sitting President, could not investigate criminal allegations involving the President or his senior staff with the impartial vigor that would be required of all prosecutors.

On June 30, 1999, the Act expired. Until its expiration independent counsel matters continued to be treated as the highest priority of the Section. These matters were always potentially serious as well as politically sensitive, because by definition they concerned possible crimes by top government officials. In addition, they were often factually complex, and required resolution of complex or novel legal issues. However, the Act's constraints required that the attorneys and supervisors handling these matters make difficult decisions without the benefit of a fully developed factual record with which prosecutors in corruption matters are accustomed to dealing.

In the spring of 1999, the Department of Justice recommended to the Congress that it allow the Act to expire without reauthorization. It concluded, based on our two decades of experience with the Act, that it was not fulfilling its original goals, and that its costs far outweighed its benefits. In June 1999, following extensive congressional hearings largely supportive of the Department's position, Congress allowed the Independent Counsel Act to lapse. However, the Act continued in effect with respect to those independent counsel investigations that were ongoing at the time.

When the Independent Counsel Act expired, the Attorney General adopted regulations to replace the Act. These regulations, set forth in Part 600 of title 28 of the Code of Federal Regulations, describe the Attorney General's discretionary authority to appoint a special counsel when the Attorney General concludes that extraordinary circumstances exist such that the public interest would be served by removing a large degree of responsibility for a matter from the Department of Justice. During the latter

half of 1999, the Public Integrity Section assisted in handling matters that raised questions under these regulations.

In addition, during 1999 the Section also continued to serve as the principal liaison between the various independent counsels and the Department of Justice. Some of these independent counsel investigations absorbed substantial Section resources. The Section also handled independent counsel inquiries concerning legal issues, Departmental policies, requests for documents, and interviews of Departmental personnel.

2. Election Crimes

Another Section priority is its supervision of the Justice Department's nationwide response to election crimes. Headquarters' oversight of election matters is intended to ensure that the Department's nationwide response to election crime matters is uniform, impartial, and effective. When the Public Integrity Section was created in 1976 this oversight responsibility was assigned to the Section. In 1980, an Election Crimes Branch was created within the Section to handle this supervisory responsibility. Its Director handles the majority of the Branch's responsibilities.

The Election Crimes Branch oversees the Department's handling of all election crime allegations other than those involving civil rights violations, which are supervised by the Voting Section of the Civil Rights Division. Specifically, the Branch supervises four types of corruption cases: crimes that involve the voting process, crimes involving the financing of federal election campaigns, crimes relating to political shakedowns and other patronage abuses, and illegal lobbying with appropriated funds. Vote frauds and campaign-financing offenses are the most significant and also the most common types of election crime.

The election-related work of the Section and its Election Crimes Branch falls into the following categories:

a. Consultation and Field Support. Under long-established Department procedures, the Section's Election Crimes Branch reviews all major election crime investigations and all election crime charges proposed by the various United States Attorneys' Offices for legal and factual sufficiency. In addition, the Branch reviews all proposed investigations concerning alleged violations of the Federal Election Campaign Act (FECA), 2 U.S.C. §§ 431-455.

The Section's consultation responsibility for election matters includes providing advice to prosecutors and investigators regarding the application of federal criminal laws to election fraud and campaign-financing abuses, and the most effective investigative techniques for particular types of election offenses. It also includes supervising the Department's use of the federal conspiracy and false statements statutes (18 U.S.C. § 371 and § 1001) to address aggravated schemes to subvert the campaign-financing laws. In addition, the Election Crimes Branch helps draft election crime charges and other pleadings when requested. During 1999, the Branch devoted significant resources to reviewing proposed campaign-financing charges that grew out of the Department's Campaign Financing Task Force investigation.

As noted above, vote fraud and campaign financing violations are the most common election crimes. In 1999 the Election Crimes Branch assisted United States Attorneys' Offices in the following States in both of these areas of law enforcement:

* Vote frauds. The Branch assisted United States Attorneys' Offices in Alabama, Arkansas, Guam, Hawaii, Illinois, Indiana, Kentucky, Louisiana, Michigan, Minnesota, Missouri, North Dakota, Ohio, Pennsylvania, South Carolina, Texas, Utah, the Virgin Islands, and West Virginia in investigating vote fraud matters that arose in their respective districts. A number of these investigations ultimately resulted in convictions. For example, in Knott County and Wayne County, Kentucky, vote-buying cases were investigated jointly by federal and state authorities and resulted in jury convictions and significant prison sentences for vote-buying. And in Green County, Alabama, several local officials and prominent citizens were convicted for their involvement in a scheme to obtain absentee ballots for voters and cast them without the voters' consent.

* Campaign-financing crimes. The Branch continued its efforts to assist in the implementation of a nationwide enforcement strategy for aggravated violations of the Federal Election Campaign Act. As part of this effort, the Branch assisted United States Attorneys in Alabama, California, the District of Columbia, Georgia, Illinois, Massachusetts, Montana, New Jersey, Nevada, New York, Pennsylvania, Texas, and Virginia in the implementation of this strategy for cases in their respective districts. For example, the Branch assisted the United States Attorney's Office for the District of Montana in convicting a company called MSI, Inc. for illegally laundering over \$9,000 to the reelection campaign of Senator Kit Bond of Missouri through fictitious bonuses to its employees. The company agreed to pay a criminal fine of \$97,500, and also agreed to tender a civil penalty to the FEC of \$19,500 to resolve its civil liability, which was accepted by the Commission.

b. Litigation. On occasion Section attorneys prosecute selected election crimes, either by assuming total operational responsibility for the case or by handling the case jointly with a United States Attorney's Office.

For example, during 1999 the Section handled a campaign-financing case involving illegal contributions by a California businessman to the 1994 reelection campaign of Senator Edward Kennedy. The case grew out of the Section's earlier prosecution of two Democratic Party fundraisers for making illegal contributions to several federal campaigns. This case is described in the Election Crimes section of Part II of this Report.

c. Inter-Agency Liaison. The Election Crimes Branch is the formal liaison between the Justice Department and the Federal Election Commission, which, as noted above, shares enforcement jurisdiction with the Department over aggravated campaign-financing violations. The Branch also serves as the Department's point of contact with the United States Office of Special Counsel (OSC). The OSC has jurisdiction over noncriminal violations of the Hatch Act, 5 U.S.C. §§ 7321-7326, §§ 1501-1508, which may also involve criminal patronage abuses that are within the Department's jurisdiction.

3. Conflicts of Interest Crimes

Conflicts of interest is a wide-ranging and complex area of law, with many layers of administrative and oversight responsibility. Moreover, the federal criminal conflicts of interest laws overlap to some extent with the sometimes broader ethics restrictions imposed by civil statutes, agency standards of conduct, Presidential orders, and, in the case of attorneys, bar association codes of conduct.

The Public Integrity Section's work in the conflicts area falls into the following categories:

a. Criminal Referrals from Federal Agencies and Recusals. The Section's criminal enforcement role comes into play with respect to a narrow group of conflicts of interest matters, namely, those that involve possible criminal misconduct proscribed by one of the federal conflicts of interest statutes. These crimes are codified in Sections 203 through 209 of the federal criminal code and are prosecuted either by a United States Attorney's Office or by the Public Integrity Section.

Conflicts of interest matters are often referred to the Section by the various federal agencies. If investigation of a referral is warranted, the Section coordinates the investigation with the Inspector General for the agency concerned, the FBI, or both. If prosecution is warranted, the Section prosecutes the case. Also, as noted below, on occasion a criminal conflicts referral may warrant civil disposition in lieu of prosecution. In these cases the Section handles the civil settlement, in consultation with the Civil Division.

The Section also handles recusals and special assignments involving conflicts matters. For example, during 1999 the Section was assigned to investigate a conflict of interest allegation against a Justice Department official. The matter ultimately was resolved by a civil settlement.

In 1999, referrals of conflicts allegations from the State Department and the United States Postal Service led to two criminal conflicts convictions. During the year the Section also resolved three additional agency conflicts referrals through civil settlements. This civil enforcement option for conflicts of interest matters is discussed below.

b. Civil Enforcement for Conflicts of Interest. During 1999 the Section continued its implementation of an effective enforcement strategy for conflicts matters that is designed to accomplish the objectives of criminal enforcement while conserving prosecutorial and government resources. Under the federal criminal code, violations of the criminal conflicts of interest statutes may be addressed through civil sanctions as well as criminal prosecution. 18 U.S.C. § 216. The tiered remedies for conflicts violations reflect congressional recognition that many conflicts violations do not warrant criminal prosecution, yet nevertheless raise serious public policy and law enforcement concerns. In addition, the civil enforcement option for conflicts matters is particularly useful in those cases where proof of the requisite criminal intent to support criminal prosecution is difficult to establish beyond a reasonable doubt. The Section has accordingly used the statutory civil option in appropriate cases. The goal of this strategy is to encourage compliance with the law by achieving timely, predictable, and appropriate resolution of conflicts allegations while at the same time making it clear that violations are not tolerated.

In 1999, as noted above, the Section's conflicts of interest cases included four conflicts matters that were resolved under this enforcement strategy. These cases involved an Assistant Secretary of State, a Deputy Inspector General of the Defense Department, an official of the CIA, and an official of the Justice Department. In each case the Section obtained, with the approval of the Civil Division, a civil settlement that included a civil payment. These cases are described in Part II.

c. Coordination. The Public Integrity Section works closely with the United States Office of Government Ethics to coordinate conflicts of interest issues with other executive branch agencies and offices. The purpose of this coordination is to ensure that the Administration's overall legislative and enforcement efforts in this area are both complementary and consistent. OGE has broad jurisdiction over noncriminal conduct by executive branch personnel, as well as the authority to provide guidance concerning the coverage of the federal criminal conflicts of interest statutes. The Section's coordination with OGE ensures that consistent guidance is provided with respect to the overlapping criminal, civil, and administrative interests implicated by the statutory and regulatory restrictions.

C. LEGAL AND TECHNICAL ASSISTANCE

In addition to its litigation and oversight responsibilities, the Public Integrity Section provides legal and technical assistance to various federal, state, and local law enforcement agencies, as well as to other Departments and international organizations, on public corruption issues. In 1999 the Section's assistance fell into the following general areas:

1. Training and Advice

The Public Integrity Section is staffed with specialists who have considerable experience investigating and prosecuting corruption cases. Section attorneys participate in a wide range of formal training events for federal prosecutors and investigators. They are also available to provide informal advice on investigative methods, charging decisions, and trial strategy in specific cases.

The Section helps plan and staff the annual public corruption seminars sponsored by the Attorney General's Advocacy Institute. Speakers at these seminars typically include both the Section's senior prosecutors and Assistant United States Attorneys from the field who have handled significant corruption cases. The seminars provide training for federal prosecutors and investigators in the statutes most commonly used in corruption cases, guidance in the use of the complex and difficult investigative techniques necessary to investigate government corruption, and advice from experienced prosecutors on conducting corruption trials. In 1999, the Section Chief assisted in a week-long corruption conference in South Carolina on topics that included initiating corruption investigations, charging corruption offenses, sentencing issues, proactive investigative techniques, and election crimes.

The Section also participates in training events sponsored by other federal departments or agencies. The Section designed and taught a course at the Federal Law Enforcement Training Center for investigators in the Offices of Inspectors General on conflict of interest crimes and provides instructors for the annual ethics training programs of the United States Office of Government Ethics. The Section also makes periodic presentations to other federal agencies on corruption investigations

and prosecutions. In 1999, the Section briefed officials of the Commerce Department, Health and Human Services Department, State Department, Treasury Department, the Veteran's Administration, the United States Agency for International Development, and the United States Information Agency. In addition, the Section's Principal Deputy Chief addressed the Annual Conference of the Assistant Inspectors General for Investigation Association of the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency on corruption issues and conflicts of interest enforcement.

Finally, the Section's Election Crimes Branch lectures at training seminars for state and local election officials on the Department's enforcement responsibilities in the area of election crimes. In 1999, the Election Crimes Director also addressed the Election Center, a nonprofit organization that trains newly elected county voter registrars, and the Council on Government Ethics Laws on the detection and prosecution of election fraud.

2. Advisor to President's Council on Integrity and Efficiency and Executive Council on Integrity and Efficiency

The Public Integrity Section serves, pursuant to Executive Order 12993, signed by the President on March 21, 1996, as legal advisor to the Integrity Committee of the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE). The PCIE/ECIE is a body composed of the Inspectors General of the various agencies of the executive branch of the federal government. The Integrity Committee of the PCIE/ECIE was charged by the Executive Order with handling allegations against Inspectors General and senior members of their staff.

In addition, the Integrity Committee was charged with establishing policies and procedures to ensure consistency in conducting administrative investigations. The year after its creation, the Integrity Committee approved the "Policy and Procedures for Exercising the Authority of the Integrity Committee." The Procedures, drafted with the assistance of the Public Integrity Section, provide a framework for the investigative function of the Integrity Committee. Allegations of wrongdoing by IGs and their senior staff are initially reviewed by the Public Integrity Section for potential criminal prosecution. In noncriminal matters, the Procedures guide the Committee's discretion to investigate the alleged misconduct and to report on its findings. The Public Integrity Section also advises the Integrity Committee on matters of law and policy relating to its investigations.

In 1999, growing out of its work with the PCIE, the Section handled a conflicts of interest allegation against the former Deputy Inspector General of the Department of Defense, which was ultimately resolved by a civil settlement and fine. This case is summarized in Part II.

3. Southwest Border Initiative

During 1999 the Section continued to provide limited assistance to the Department's Southwest Border Initiative, an ongoing multi-agency effort to increase the federal government's success in combating a variety of offenses occurring along our Southwest border with Mexico. Offices and agencies participating in this initiative include the various United States Attorneys' Offices whose

jurisdiction includes the Southwest border, the FBI, the Drug Enforcement Agency, the Immigration and Naturalization Service, the United States Customs Service, and the Criminal Investigative Division of the IRS.

The original purpose of the Section's involvement in the Southwest Border Initiative was to help address one of the Initiative's immediate goals, which was to improve coordination and cooperation among federal law enforcement agencies concerning corruption offenses along the country's Southwest border. A long-range goal of the Initiative is to increase the federal government's ability to detect, investigate, and prosecute border corruption cases.

During 1999 the Section participated in meetings of the Southwest Border Council, a group consisting of the United States Attorneys for each of the Southwest border districts as well as senior representatives from the major federal law enforcement agencies with responsibility for the border area.

4. International Advisory Responsibilities

The Section's responsibilities in the area of international law enforcement have increased dramatically over the past few years, as the Department's international law enforcement efforts have increasingly expanded. In addition to its routine briefings of foreign delegations on United States public corruption issues, the Section has become increasingly involved in supporting United States efforts to assist the international community in its efforts relating to combating public corruption in foreign countries and at the international level. This work includes both participation in international proceedings and coordination with other components of the Justice Department and other federal departments on the Administration's position in this area.

During 1999, the focus of the Section's international activities continued to be the ongoing anti-corruption efforts by the Council of Europe. The Section heads an interagency working group in connection with the Council's Criminal Law Convention and the Group of States Against Corruption. In addition, during the year the Section hosted the Council delegation that met with representatives of the Justice, State, Treasury, and Commerce Departments relating to the Council's proposed anti-corruption convention and monitoring mechanisms.

During the year the Section also continued to participate in matters relating to the anti-corruption efforts of the Southeast Europe Stability Pact, the Organization for Security and Co-operation in Europe, and the Organization for Economic Co-operation and Development.

In addition, the Section is a member of the Vice President's International Initiative Against Corruption Sub-Group on Corruption. During the year the Section played a major role in developing the agenda and objectives of the Vice President's 1999 Global Forum on Fighting Corruption, which was held in Washington and attended by 89 countries. As part of this effort, the Section drafted and advocated a statement of "Guiding Principles" for the Forum participants, which was accepted after weeks of interagency negotiations as the most effective strategy to achieve United States objectives. Planning for a follow-up Global Forum in the Netherlands scheduled for the spring of 2001 is underway.

In 1999 the Section also continued to work closely with the State Department on developing the United States position on a United Nations code of conduct and on the implementation of the anti-corruption treaty of the Organization of American States. During the year the Section also continued to support the efforts of other agencies, such as the United States Office of Government Ethics, to assist foreign governments and institutions in implementing effective measures designed to deter public corruption.

In 1999, the Section's management and senior prosecutors made nine international trips in connection with anti-corruption efforts by foreign governments and international organizations. The Section's Chief traveled to Caracas, Venezuela, at the invitation of Venezuela's President to brief high-level officials on corruption issues, and met with the Venezuela Supreme Court to discuss efforts to combat judicial corruption. The Section's Principal Deputy attended four international proceedings during the year, participating in the Council of Europe's Multidisciplinary Group On Corruption proceedings in Strasbourg, France; the Organization for Security and Co-operation in Europe's '99 Summit in Istanbul, Turkey; the International Law Enforcement Academy's Senior Criminal Justice Program on Corruption in Bangkok, Thailand; and representing the United States at the United Nations Crime Prevention and Criminal Justice Commission Experts Group Meeting in Paris. In addition, senior Section prosecutors traveled to Cyprus to represent the United States at the Council of Europe's Fourth Annual Conference of Specialized Services in the Fight Against Corruption, and to Russia and the Republic of Georgia to address high-level officials on corruption issues. Also in 1999 the Section's Election Crimes Director traveled to Kyrgyz, in Central Asia, at the invitation of the Organization for Security and Co-operation in Europe, where he presented a two-day workshop attended by over 250 Kyrgyz judges, prosecutors, and election officials on election crimes and the adjudication of election disputes.

As noted above, Section experts also routinely address visiting foreign officials in connection with the detection and prosecution of public corruption offenses. During 1999 the Section made presentations to public officials from Egypt, Japan, Mongolia, the People's Republic of China, the Republic of Haiti, the Republic of Latvia, Turkey, the Ukraine, and Vietnam. In 1999 the Section's Principal Deputy also joined an Assistant Secretary of State in a live USIA TV broadcast to Asia from the Voice of America's Washington headquarters on corruption-related issues.

During 1999 the Section's Election Crimes Branch also continued its international assistance, participating in a Department-wide effort to provide enhanced training and law enforcement assistance to other nations. The Branch participated in official exchanges with foreign election officials and lawmakers to share expertise on the investigation and prosecution of election crimes. These presentations were conducted under the auspices of the Federal Election Commission, the United States Information Agency, and the Justice Department's Office of International Affairs and Office of Professional Development and Training. In 1999 the Branch addressed visiting officials from the West African nation of Burkina Faso, El Salvador, France, Mexico, Mongolia, the People's Republic of China, the Philippines, Poland, the Republic of Fiji, the Republic of Kyrgyz, and the Ukraine on United States election crime statutes and their enforcement.

5. Legislative Activity

An important responsibility of the Public Integrity Section is the review of proposed legislation affecting the prosecution of public officials. The Section is often called upon to provide comments on proposed legislation, to draft testimony for congressional hearings, and to respond to congressional inquiries concerning legislative proposals.

6. Case Supervision and General Assistance

Public corruption cases are often controversial, complex, and highly visible. These factors may warrant Departmental supervision and review of a particular case. On occasion Section attorneys are called upon to conduct a careful review of a sensitive public corruption case, evaluating the quality of the investigative work and the adequacy of any proposed indictments. Based on its experience in this area, the Section can often identify tactical or evidentiary problems early on and either provide needed assistance or, if necessary, assume operational responsibility for the handling of the prosecution.

The Section also has considerable expertise in the supervision of the use of undercover operations in serious corruption cases. The Section's Chief serves as a permanent member of the FBI's Undercover Review Committee. Additionally, a number of the Section's senior prosecutors have experience in the practical and legal problems involved in such operations, and have the expertise to employ effectively this sensitive investigative technique and advise law enforcement personnel on its use.

Finally, the Section provides numerous other miscellaneous support services to United States Attorneys in connection with corruption cases. Much of this support comes in the form of serving as liaison with other components of the Department in order to expedite approval of such procedures as immunity requests, wiretapping orders, and applications for witness protection.

PART II

PUBLIC INTEGRITY SECTION INDICTMENTS, PROSECUTIONS, AND APPEALS IN 1999

INTRODUCTION

The Public Integrity Section's role in the prosecution of public corruption cases ranges from sole responsibility for the entire case to approving an indictment or providing advice on the drafting of charges. See the general discussion of the Section's activities in Part I. This portion of the Report describes each corruption case for which the Section had operational responsibility during 1999. These cases are also included in the nationwide statistics provided in Part III, which reflect the total number of public corruption cases brought by the Justice Department in 1999 and over the previous two decades.

As in previous reports, the Section's corruption cases for calendar year 1999 are separated into categories, based on the branch or level of government affected by the corruption. Election crimes are grouped separately. The prosecutions summarized below reflect the Section's casework during 1999 and the status of its cases as of December 31, 1999. Related cases are grouped together; unrelated cases are set off by double lines. Part II also provides statistics for each category on the number of matters closed by the Section without prosecution during 1999 and the number of matters pending at the end of the year.

FEDERAL JUDICIAL BRANCH
<p>During 1999, the Public Integrity Section closed four matters involving allegations of corruption affecting the federal judicial branch. As of December 31, 1999, six such matters were pending in the Section. Also during 1999, the Section handled the following cases involving crimes affecting the judicial branch:</p>

United States v. Barfield, Middle District of Florida

Michael A. Barfield, a paralegal and litigation consultant, pled guilty on May 12, 1999, to five felony offenses, including conspiracy, obstruction of justice, perjury before a federal grand jury, and two separate wire fraud schemes. On October 25, 1999, Barfield was sentenced to ten years in prison, fined \$7,500, and ordered to pay \$50,500 in restitution.

The conspiracy, obstruction of justice, and perjury convictions stem from Barfield's role in concocting a false accusation in 1997 against then-United States District Judge Lee P. Gagliardi, now deceased, and Assistant United States Attorney Kathleen A. Haley, in an attempt to disqualify the judge from presiding over a pending criminal case. Barfield hired two private investigators, Deana Scapaccino and Dana Corum, to help carry out the illegal scheme. Barfield, Scapaccino and Corum falsely claimed that the judge and prosecutor met at a restaurant where they discussed details of the pending prosecution and exchanged case-related documents. During the federal grand jury investigation triggered by this accusation, Barfield and his coconspirators repeatedly attempted to bolster their false accusation by providing false information to the FBI and false testimony and fabricated documents to the grand jury.

Judge Gagliardi was advised prior to his death that the Justice Department had determined that the charges against him were false.

Barfield also pled guilty to two unrelated wire fraud offenses that were committed and uncovered during the course of this investigation. In late 1998 and early 1999, while working for a Florida attorney, Barfield falsely represented to two convicted criminal defendants that he could secure leniency for them in exchange for substantial monetary payments. After obtaining approximately \$50,000 from the defendants' families, Barfield made preparations to flee the country. He was arrested by the FBI in January 1999 and has been incarcerated since that date.

United States v. Corum

On July 28, 1999, a federal jury convicted Dana H. Corum, a private investigator and former paralegal, of conspiracy, obstructing justice in a pending federal criminal case, obstructing justice in a federal grand jury investigation, and acting as an accessory after the fact to perjury. Corum was indicted on these charges on March 24, 1999. She was sentenced to 78 months in prison on December 15, 1999.

Corum was one of two private investigators hired by Barfield to make a false accusation against United States District Judge Gagliardi to disqualify the judge from presiding over a pending criminal case. During a federal grand jury investigation of the allegation, Corum and her coconspirators repeatedly attempted to corroborate the accusation by providing false information to the FBI, false testimony to the grand jury, and fabricated documents in response to a grand jury subpoena.

United States v. Scapaccino

Deana M. Scapaccino, a private investigator, pled guilty on July 13, 1999, to a two-count criminal information charging her with conspiracy to obstruct justice, commit perjury, and provide false statements, and obstruction of justice in a pending federal criminal case.

Scapaccino was the other private investigator hired by Barfield to make a false accusation against Judge Gagliardi. Along with her coconspirators, Scapaccino repeatedly provided false

information to the FBI and false testimony and fabricated documents to the grand jury. Scapaccino was sentenced to 15 months in prison on October 26, 1999.

United States v. Weston, Southern District of Mississippi

On November 17, 1999, a federal grand jury returned a two-count indictment charging Michael Weston, a convicted narcotics dealer serving a substantial prison sentence, with obstruction of justice and making false statements.

The indictment alleged that in an effort to obtain a reduction in his prison sentence, Weston endeavored to appear as a witness in a pending criminal trial and to provide false evidence to the jury in that case. In hopes of earning a motion for reduction of sentence from the United States Attorney's Office, Weston concocted a false story about specific drug transactions with Willie Culley, a narcotics defendant awaiting trial, and communicated that false story during an interview conducted by a special agent from the DEA and an Assistant United States Attorney.

Weston subsequently pled guilty to one count of making false statements and was sentenced to 40 months in prison.

United States v. Whitehead, Eighth Circuit Court of Appeals

On August 16, 1999, a unanimous panel of the Eighth Circuit Court of Appeals upheld the 12-month prison sentence imposed upon former United States Probation Officer Linda P. Whitehead. Whitehead had pled guilty to engaging in a mail fraud scheme to deprive another of her honest services and had resigned from the Probation Service. The Court summarily rejected each of the sentencing challenges raised by the defendant.

Whitehead, an 18-year veteran of the United States Probation Service, provided preferential treatment over a three-year period to a convicted felon under her supervision and accepted numerous gifts and gratuities in return. Specifically, Whitehead engaged in a scheme whereby she allowed Karen Pluff, a convicted drug felon, to avoid court-ordered drug testing by repeatedly sending someone else's urine to the laboratory for analysis in place of Pluff's. In exchange for the drug-test switching, Whitehead accepted from Pluff shoplifted clothing and other items.

FEDERAL LEGISLATIVE BRANCH

During 1999, the Public Integrity Section closed two matters involving allegations of corruption in or affecting the federal legislative branch. As of December 31, 1999, four such matters were pending in the Section. The Public Integrity Section handled no cases involving the federal legislative branch in 1999.

FEDERAL EXECUTIVE BRANCH

During 1999, the Public Integrity Section closed 119 matters involving allegations of corruption within the federal executive branch. As of December 31, 1999, 121 such matters were pending in the Section. Also during 1999, the Section handled the following cases involving executive branch corruption:

United States v. Benton, District of Columbia

On February 19, 1999, Joseph N. Benton, III, former Executive Producer, National Aeronautics and Space Administration, NASA TV, was sentenced to two years of probation, 100 hours of community service, and a \$2,500 fine in connection with his previous guilty plea to a misdemeanor information charging him with theft from the government.

From July 1994 through February 1998, Benton submitted signed travel vouchers to NASA for reimbursement of expenses for official travel that included approximately \$900 in false transportation receipts. Pursuant to his plea agreement, Benton made complete restitution prior to sentencing.

United States v. Burek, District of Columbia

On June 22, 1999, Linda Burek, an Acting Deputy Assistant Attorney General of the Justice Department's Justice Management Division (JMD) and Director of JMD's Systems Technology Staff (STS), agreed to pay a \$5,000 civil penalty to settle a civil complaint alleging that she violated a conflict of interest prohibition by participating as a government employee in a matter in which a company with which she was negotiating employment had a financial interest.

STS is responsible for procuring, installing, and maintaining a part of the Justice Department's computer system, and performs this task in consultation with outside contractors, one of which is Software Performance Systems, Inc. (Performance). In September 1998, while Director of STS and an official of JMD, Burek entered into employment discussions with Performance, one of the contractors under consideration for a contract with JMD to design and implement a new, Department-

wide computer system known as the Justice Consolidated Office Network (JCON). During this same period Burek acted in her official capacity to ensure the award of this contract to Performance, knowing that she had a financial interest in the award as a result of her employment negotiations with Performance and her acceptance of an offer of employment from Performance.

United States v. Clark and Clark, Eastern District of Virginia

On November 18, 1999, a federal grand jury indicted Federal Highway Administration (FHWA) official James Clark on four counts of using the mails and wires in furtherance of a scheme to defraud the FHWA of his honest services, three counts of bribery, and one count of paying a kickback to a government contractor. In addition, the grand jury charged Clark's wife, Brenda Clark, in each fraud count and in the kickback count.

James Clark had authority over FHWA contractors who performed transportation research and engineering under multi-million dollar government contracts. The indictment charged that the Clarks solicited those contractors for more than \$170,000 in personal loans and consulting contracts and then used a series of pass-through companies and a business name to conceal their activity. In return, James Clark used his official position with the FHWA for the benefit of those contractors, secretly steering a \$19 million contract to one contractor and arranging more than \$100,000 in consulting work for another. The indictment also charged that the Clarks paid a \$5,000 kickback to a government contractor in exchange for his awarding them a \$49,000 consulting contract from the Oak Ridge National Laboratory.

The Clarks have subsequently pled guilty.

United States v. Davis, District of Columbia

On December 15, 1999, a federal grand jury returned a two-count indictment against Rodney D. Davis, a former operational accountant at the Federal Aviation Administration (FAA). Davis was charged with theft from the government and computer fraud.

Davis's position at the FAA afforded him access to a computerized accounting system by which FAA monies could be electronically transferred. On three occasions between September 1998 and April 1999 Davis accessed that computer system without permission and transferred almost \$30,000 in FAA funds into his personal bank account. As part of the scheme, Davis created an account in the name of a nonexistent vendor, making it appear that the FAA owed the vendor money. Davis then instructed the FAA computer system to transfer FAA funds into the fictitious vendor's account, which in reality was his own personal bank account. The scheme was discovered when an attempted fourth transfer failed and investigators uncovered Davis's previous transfers.

Davis has subsequently pled guilty.

United States v. Gervacio, Northern District of California

Frank M. Gervacio, a former senior special agent of the United States Customs Service, was sentenced on March 1, 1999, to three years of probation, 100 hours of community service, and a \$4,100 fine in connection with his previous guilty plea to illegal supplementation of salary. Pursuant to the plea agreement, the government dismissed an illegal gratuity charge, for which Gervacio had also been indicted.

From June 1987 until September 1996, Gervacio supervised a paid informant, Michael Woods, who assisted the Customs Service in investigations of marijuana smugglers. In 1992, Gervacio nominated Woods for a substantial cash award that ultimately totaled \$110,875. A few days prior to the presentation of the award, Gervacio called Woods and told him that he needed \$5,000. When Woods traveled to San Francisco to receive the award he brought \$4,000 in cash for Gervacio. Woods attempted to hand Gervacio the \$4,000, but Gervacio suggested that Woods "accidentally" lose the money in the back of Gervacio's government car. Woods complied and Gervacio later confirmed that he "found" and kept the money.

United States v. Grant, District of Columbia

James R. Grant, an employee of the United States Postal Service, pled guilty on March 2, 1999, to a one-count information charging him with a misdemeanor conflict of interest by participating as a government employee in a matter in which a company with which he was negotiating employment had a financial interest. On September 10, 1999, Grant was sentenced to two years of supervised probation and ordered to pay a \$2,000 fine.

Grant's job responsibilities with the Postal Service included making recommendations and rendering advice to the Postal Service about cash management policy in support of the Information Based Indicia Program (the Program). From September 1996 through March 1997, Saranac, Inc. was seeking to do business with the Postal Service with respect to the Program. During this same period Grant engaged in employment negotiations with Saranac. While these negotiations were ongoing, Grant made recommendations in connection with cash management policy in support of the Program, knowing that Saranac had an interest in the policy because it would affect Saranac's ability to participate in the Program.

United States v. Holbrooke, District of Columbia

On February 9, 1999, Richard C. Holbrooke, former Assistant Secretary of State for European and Canadian Affairs, agreed to pay a \$5,000 civil penalty to settle allegations that he violated a conflict

of interest prohibition by unlawfully seeking official action by the State Department within a year of leaving his State Department position on behalf of his new employer.

In a civil complaint filed along with the agreement, the Justice Department alleged that Holbrooke, within a year of resigning as an Assistant Secretary of State, knowingly communicated with the United States Ambassador to Korea, seeking official action on behalf of his new employer, CS First Boston, Inc., in violation of a federal law that prohibits such communications by former senior executive branch officials with their former department. The complaint further alleged that from March to May of 1996, Holbrooke sought official action by the State Department in a number of areas that involved CS First Boston: in arranging a meeting with Korean President Kim Young Sam; in arranging a luncheon at the Ambassador's residence for Holbrooke and other CS First Boston employees; and by having the Ambassador participate in a ribbon-cutting ceremony to celebrate the opening of CS First Boston's new branch office in Seoul.

In his answer to the complaint, Holbrooke denied communicating with any State Department employees on behalf of CS First Boston in violation of the law. A stipulation of facts, filed with the agreement, indicated that the investigation did not determine that Holbrooke willfully violated the law or that his communications resulted in any direct financial gain to himself or CS First Boston. The parties agreed to resolve the matter in the interest of avoiding the expense, delay, and uncertainty of potentially lengthy litigation.

United States v. Johnson and Radell, Eastern District of Wisconsin

On August 24, 1999, a federal grand jury indicted Marc M. Radell and Claudia Johnson for obstruction of justice, conspiracy to obstruct justice, and perjury. Radell is an attorney in the Region III Office of Regional Counsel of the Environmental Protection Agency in Philadelphia. Johnson, who has subsequently died, was an employee of the EPA Region V Water Division in Chicago at the time of her indictment.

The charges arose from allegations of criminal conduct that surfaced during federal civil cases pending in the Eastern and Western Districts of Wisconsin. In January 1996, EPA Region V granted Treatment-as-State status to three Wisconsin Indian Tribes, thereby allowing the Tribes to determine the quality of surface waters within their reservations. The State of Wisconsin filed lawsuits in federal district court challenging the EPA's decisions. The indictment charged that during the course of the litigation, Radell and Johnson created and backdated EPA documents, and then later falsely stated in affidavits and during depositions that the documents existed prior to the time that the EPA made its decisions to grant Treatment-as-State status to the three Tribes. Subsequently the lawsuits were dismissed and the EPA was ordered to pay the State of Wisconsin and other parties approximately \$370,000 in attorneys' fees and costs.

Radell has since pled guilty to criminal contempt.

United States v. Karaitis, Eastern District of Virginia

Robert R. Karaitis, a former employee of the CIA, was sentenced on January 15, 1999, to 12 months and a day in prison and was ordered to pay \$67,487 in restitution to a federal credit union for defrauding the credit union out of \$80,639 he borrowed for two luxury automobiles that he did not purchase.

Karaitis' sentence was based on his guilty plea to one count of bank fraud. As part of his plea agreement, Karaitis also agreed to resign from the CIA and to reimburse the agency \$31,713 for conduct unrelated to the fraud against the credit union.

United States v. Krum, Eastern District of Virginia

On February 4, 1999, the Section filed a civil complaint alleging that Allen L. Krum, a Senior Intelligence Service employee of the CIA, violated a federal conflict of interest statute by taking official action in a matter in which his spouse had a financial interest.

Krum was assigned to the CIA's National Reconnaissance Office (NRO) in Virginia. From 1994 to 1997, Krum's duties included recommending approval for engineering change proposals, recommending bonuses totaling millions of dollars, and renegotiating contracts with Lockheed Martin Corporation. From 1997 to 1999, Krum also was the approving authority for contract payments and bonuses to contractors for which he had previously been the recommending authority, including contracts with Lockheed.

From 1994 to June 1997, Krum's spouse was employed by Lockheed as a program management engineer. During this period, Krum's spouse received options for Lockheed stock which she exercised in 1997 for a profit of \$48,700.

Pursuant to a civil settlement agreement between Krum and the government filed on the same day as the complaint, Krum agreed to pay the government within thirty days his family's profit of \$48,700 from the exercise of Lockheed stock options. This payment represents substantially more than the government could have obtained under the United States Sentencing Guidelines for a criminal conflict of interest conviction, and is the largest civil settlement of a conflicts violation ever obtained by the Criminal Division.

United States v. Lorin, District of Columbia

Matthew E.A. Lorin, a grade 15 special government employee of the Department of State, pled guilty on April 19, 1999, to a one-count misdemeanor information charging him with a criminal conflict of interest by participating personally and substantially as a federal employee in a particular matter in which he knew that he and his outside employer had a financial interest. On July 26, 1999, Lorin was

sentenced to a \$20,000 fine, one year of probation, and 25 hours of community service. Pursuant to a stipulated-sentence provision of the plea agreement, the judge departed upward from the Sentencing Guidelines to impose the fine.

In 1998, Lorin was the Special Coordinator for Public and Private Partnerships for the President's 2010 Initiative on Demining at the State Department's Office of Global Humanitarian Demining. His duties included coordination of State Department efforts to facilitate the removal of land and sea mines worldwide, including demining by private entities. At the same time, Lorin received payments totaling \$20,000 from America's Partners, a private, for-profit business that was participating in a joint venture to develop a multi-hundred million dollar theme park, known as the Grand Oasis, in Israel and Jordan. The Grand Oasis required demining operations, and Lorin anticipated and later received a one percent equity interest in the project.

In September 1998, Lorin telephoned the State Department's Special Middle East Coordinator, identified himself as a State Department employee, described the Grand Oasis project and recommended that the State Department support it. Lorin then sought permission from his ethics advisor to send a memorandum to the Ambassador recommending the project and seeking support. However, without awaiting a response from his ethics advisor, Lorin transmitted the memorandum to the Ambassador and other State Department officials. When Lorin's ethics advisor advised him to cease all activity with the State Department on behalf of America's Partners, Lorin took no action to withdraw the memorandum or to advise any recipient that he was prohibited from transmitting it. Lorin also subsequently telephoned the United States Embassy in Jordan seeking the attendance of a State Department official at a meeting with local officials concerning the Grand Oasis development.

United States v. Macias, Eastern District of Virginia

Federal employee Edward P. Macias pled guilty on January 29, 1999, to a one-count misdemeanor information charging him with conversion of federal funds. Macias was sentenced on April 13, 1999, to one year of supervised probation.

From January to April 1998 Macias received federal travel funds to relocate himself and his family to California, pursuant to his transfer from one government duty station to another. In August 1998, Macias submitted claims and receipts that falsely stated that he had spent \$10,087 for relocation of his wife and two children, when, in fact, he did not relocate his wife or his children, and instead made personal use of the money received for their relocation.

Pursuant to the plea agreement, Macias agreed to resign from his government employment. He also made full restitution.

United States v. McGlothlin, Northern District of Alabama

Danny W. McGlothlin, an employee of the Department of Labor's Mine Safety and Health Administration, pled guilty on April 30, 1999, to a one-count misdemeanor information charging him with conversion of federal funds. On July 8, 1999, McGlothlin was sentenced to one year of probation and ordered to pay restitution in the amount of \$2,658.

From November 1996 through January 1997, McGlothlin submitted travel vouchers for reimbursement, falsely stating the amount of expenses incurred as a result of an employment-related relocation.

United States v. Pong, Eastern District of New York

On December 6, 1999, Donald E. Pong, a former Department of Defense (DOD) contracting official and then-United States Customs Service Inspector, pled guilty to accepting \$45,000 in bribes from the president of an international shipping company. Pong's employment with the United States Customs Service was terminated immediately as a result of his conviction. Pong was subsequently sentenced to 15 months in prison, a \$40,000 fine, and ordered to pay \$45,000 in restitution.

Pong previously worked as a transportation specialist in the Military Traffic Management Command, a component of DOD. In this capacity, Pong was responsible for selecting the commercial shipping companies that would receive government contracts for the shipment of military and humanitarian assistance cargo.

At his plea colloquy, Pong admitted that, from approximately May 1996 through March 1997, he awarded more than \$2 million in shipping contracts to a Queens, New York-based commercial steamship company in exchange for \$45,000 in bribes paid to him by the company's president. That individual also pled guilty to bribery charges and cooperated with the government's investigation.

This case, and the related case summarized below, were handled jointly by the Public Integrity Section and the United States Attorney's Office for the Eastern District of New York.

United States v. Sawhney, Eastern District of New York

William Sawhney, the President and sole owner of Navajo Shipping Agency, pled guilty on November 12, 1999, to paying approximately \$45,000 in bribes to Defense Department official Donald E. Pong to obtain government shipping contracts.

Sawhney's company arranges for the ocean transport of cargo worldwide. At his plea colloquy, Sawhney admitted that, in 1996 and 1997, he made payments totaling over \$45,000 to DOD official Donald Pong in order to obtain contracts for the shipment of military and humanitarian assistance cargo, for which Pong steered more than \$2 million in Defense shipping contacts to Sawhney's company.

Sawhney was subsequently sentenced to four months in prison, a \$40,000 fine, and \$45,000 in restitution.

United States v. Rathi, District of Columbia

Ajay Rathi, a former employee of the Oak Ridge National Laboratory in Oak Ridge, Tennessee, was sentenced on July 15, 1999, to one year of probation, 100 hours of community service, and a \$10,000 fine. Rathi had pled guilty to a one-count information charging him with conspiracy to pay more than \$70,000 in unlawful gratuities to an official of the Federal Highway Administration (FHWA) and to submit \$100,000 in false and fraudulent claims. The government moved for a downward departure based upon Rathi's substantial assistance in the investigation and prosecution of others involved in the scheme.

Rathi conspired with government contractors to make cash payments to Alberto Santiago, a FHWA official overseeing certain FHWA and Oak Ridge contracts. Oak Ridge is a large, government-owned laboratory that is responsible for the expenditure of substantial government funds from federal agencies, including the FHWA. At Oak Ridge, Rathi set aside FHWA funds to reimburse the contractors for payments that they made to Santiago. Under the arrangement, the contractors would submit fraudulent invoices to Oak Ridge to obtain their reimbursements. Santiago pled guilty in 1998 to bribery, money laundering, and conspiracy to commit bribery and money laundering and to defraud the United States and was sentenced to 37 months in prison.

United States v. Simmons, District of Nevada

Elizabeth L. Simmons, a former paralegal specialist in the United States Attorney's Office for the District of Nevada, pled guilty on March 16, 1999, to a three-count information charging her with embezzlement, false statements, and making and subscribing a false income tax return. Simmons was sentenced on September 17, 1999, to 30 months' imprisonment and three years' supervised release. In addition, she was ordered to make restitution to the United States in the amount of \$1,061,012.

In her guilty plea, Simmons admitted that for ten years, throughout her tenure at the United States Attorney's Office, she submitted thousands of fictitious witness vouchers to the United States Marshal's Service through which she obtained reimbursement checks that she then cashed or deposited for her own use. In so doing, she stole over \$1 million in federal funds. As part of her scheme, Simmons also under-reported her income for federal income tax purposes during the period in question and made numerous false statements on fictitious vouchers.

As part of her plea agreement, Simmons agreed to make full restitution for the amount she stole and to sign any and all necessary documents for the United States to attempt to recover this amount.

United States v. Tanner, Eastern District of Virginia

CIA supervisor Marian V. Tanner pled guilty on March 26, 1999, to a one-count felony information charging her with credit card fraud. Tanner was sentenced on June 11, 1999, to six months of home detention, three years of supervised probation, and \$21,575 in restitution. Pursuant to a plea agreement, Tanner also resigned from the CIA.

Tanner was employed as an administrative supervisor at the CIA, where she had access to certain CIA credit cards issued to other CIA employees. From February 1995 to April 1998, Tanner repeatedly intercepted and made unauthorized use of CIA credit cards issued to other employees. Tanner used the cards to obtain, among other things, cash, groceries, mobile telephone service, home cable service, and lawn treatments. The total loss from the defendant's offense and other unlawful conduct was \$31,453. Tanner also made unauthorized use of a CIA credit card that was issued to her, causing a loss of \$7,485, for which she agreed to make full restitution.

United States v. Vander Schaaf, Eastern District of Virginia

On June 8, 1999, the United States and Derek J. Vander Schaaf, former Deputy Inspector General of the Department of Defense (DOD), filed a settlement agreement resolving the government's claim that Vander Schaaf violated the two-year restriction on post-employment contacts involving matters pending under his official responsibility within the year preceding his departure from government service. Vander Schaaf agreed to pay \$12,125, which is the amount he had charged a private client for the representation alleged to be unlawful.

On behalf of a private client, Vander Schaaf met with DOD officials regarding an audit that commenced prior to his retirement from government service. The interests of Vander Schaaf's client were affected negatively by the auditors' recommendations, which were under review for possible modification at the time of Vander Schaaf's contacts. The client retained Vander Schaaf to prepare an "independent" report on the auditors' findings that the client believed would be more favorable to its positions. The auditors worked within the DOD's Office of Inspector General; the audit had been conducted under Vander Schaaf's supervision when he served as Deputy Inspector General.

Vander Schaaf agreed to pay the United States the amount that he charged his private client for his services in countering the DOD audit and preparing his "independent" report. The \$12,125 figure represents the total amount that Vander Schaaf earned on the project, for which he billed 151 hours.

Although Vander Schaaf maintained that his conduct was not unlawful, he agreed as part of the factual stipulation that was incorporated into the settlement agreement that "a reasonable observer of [the] facts could believe 1) that [his client] hired Mr. Vander Schaaf with the expectation that his input would result in DOD's modification or rejection of OIG's recommendations and 2) that Mr. Vander Schaaf criticized the Audit Report with intent to cause DOD officials to modify OIG's recommendations." In addition, Vander Schaaf "admit[ted] that the auditors could reasonably have

believed that Mr. Vander Schaaf's criticisms would adversely affect perceptions of their work product, both inside and outside DOD."

The settlement was coordinated with the Commercial Litigation Branch of the Civil Division and the United States Attorney's Office for the Eastern District of Virginia.

STATE AND LOCAL GOVERNMENT

In 1999, the Public Integrity Section closed eight investigations of alleged corruption involving state or local government. At the end of 1999, 17 such matters were open. Also during 1999, the Section prosecuted the following cases involving state or local corruption:

United States v. Carmichael, Eastern District of Kentucky

On January 22, 1999, Lawrence Ray Carmichael, Commonwealth's Attorney for the 28th Judicial Circuit of Kentucky, was sentenced to 27 months of imprisonment and two years of supervised release.

Carmichael had been convicted by a federal jury of attempted extortion in violation of the Hobbs Act. In 1998, Carmichael attempted to extort between \$50,000 and \$100,000 from Rodney Adams, the owner of a local pawnshop and operator of an illegal bookmaking operation.

The prosecution was handled jointly by the Public Integrity Section and United States Attorney's Office for the Eastern District of Kentucky.

United States v. Davies, Northern District of Indiana

Edward M. Davies, a deputy sheriff for Lake County, Indiana, pled guilty on July 15, 1999, to a one-count misdemeanor information charging him with willfully and under color of law subjecting another to the deprivation of rights, privileges, and immunities secured and protected by the Constitution and laws of the United States, involving his theft of property seized as evidence by his office.

As deputy sheriff, Davies served as the Deputy Commander for the federally funded Lake County Drug Task Force. In April 1997, Davies participated in the execution of a search warrant to secure evidence and contraband related to drug trafficking. During the search, Davies seized a mink coat that he believed to be property subject to forfeiture by the State of Indiana as proceeds of drug activity. Following the search, Davies removed the coat from the Task Force and converted it to his own use. Davies also caused the coat to be omitted from the forfeiture documents that were submitted to the court and the county prosecutor.

Davies was sentenced on December 8, 1999, to two years of probation, six months of home detention, and a \$5,000 fine. The court also ordered Davies to comply with the standard condition of probation which prohibits him from carrying a firearm.

United States v. Hill, Southern District of Texas

Floyd Hill pled guilty on December 9, 1999, to a mail fraud scheme to deprive another of his honest services. His plea arose from an investigation into the payment of bribes to public officials by a Houston company, and its officers and employees. Hill left the company in 1997. As part of his plea agreement, he agreed to cooperate with the ongoing investigation.

In 1991, the New Orleans Sewerage and Water Board (the Board) awarded a five-year, multi-million dollar contract to the company to operate a wastewater treatment facility in New Orleans. From 1994 to 1996, the company gave a Member of the Board's Sewer and Water Committee cash and other assistance in connection with this Member's efforts to profit from the sale of certain Louisiana real estate. Each month during this period, the company wrote company checks to the Hill, who then wrote personal checks to the Board Member's real estate partner. These payments were intended to cover a bank loan on which the Board Member and a business partner were co-borrowers. Throughout this period, the Board Member performed numerous official acts that benefitted the company in New Orleans. As part of Hill's plea agreement, he admitted that the company's payments were given in exchange for the Board Member's assistance in furthering the company's business interests in New Orleans and elsewhere.

United States v. Johnson, Northern District of Ohio

Former Ohio State Senator Jeffrey D. Johnson was sentenced on February 9, 1999, to 15 months of imprisonment, followed by one year of supervised release, for three counts of extortion under color of official right in violation of the Hobbs Act. The court imposed 250 hours of community service but did not impose a fine, finding that Johnson was unable to pay one. Johnson had been convicted by a federal jury of the three extortion charges.

In the recorded meetings between Johnson and the cooperating witness, Johnson demanded personal "loans" and campaign contributions from the witness and from other Cleveland-area grocery store owners, in exchange for which Johnson used his official influence to help the store owners obtain various state and county contracts and permits. The "loans" were never repaid.

United States v. Richardson, Northern District of Indiana

Alex H. Richardson, a former deputy sheriff in Lake County, Indiana, was sentenced on March 11, 1999, to 64 months in prison, and a \$10,000 fine. Richardson had pled guilty to a one-count information charging him with extortion under color of official right, in violation of the Hobbs Act.

In December 1997, Richardson was involved in the arrest of a subject who was charged with attempted dealing in cocaine, conspiracy to deal in cocaine, and resisting arrest. In January and February of 1998, Richardson solicited and agreed to accept \$30,000 from the subject in exchange for convincing the prosecutor to drop the charges. The subject informed the FBI of Richardson's solicitation and agreed to cooperate in the investigation. Richardson was then captured on tape soliciting the payments and accepting \$10,000 in cash.

United States v. Thames, District of Columbia

Keith B. Thames, a former crew chief with the D.C. Water and Sewer Authority (WASA), was sentenced on October 6, 1999, to prison for 27 months followed by two years of supervised release. Thames had pled guilty to the charge of conspiracy to commit bribery.

Thames was one of eight WASA employees, ranging from laborers to mid-level supervisors, who had been convicted for their involvement in a conspiracy in which the employees, aided in one instance by an unlicensed private plumbing contractor, accepted money in exchange for using their official positions to replace lead pipes connecting private homes with city water mains, during regular business hours and while on duty, using city-owned supplies and equipment. Thames admitted that as part of the conspiracy, he and another WASA supervisor exercised their supervisory authority over work assignments to enable themselves and their coconspirators to perform these illegal "side jobs", instead of their official assignments. Thames and the other supervisor authorized and performed jobs knowing that the required permits, authorizations, and inspections had not been obtained. To conceal their illegal activities, the defendants prepared phony work orders and fraudulently obtained inspection "approved" stickers and public space permits to make it appear that the work performed had been authorized and inspected as required by law.

The prosecutions were handled jointly by the Public Integrity Section and the United States Attorney's Office for the District of Columbia.

**Houston City Council Prosecutions
Southern District of Texas**

United States v. Reyes and Maldonado

On February 24, 1999, former Houston City Councilman Ben T. Reyes and lobbyist Elizabeth Maldonado were sentenced for their convictions relating to a corruption scheme involving the Houston City Council. Reyes was sentenced to 108 months in prison and a \$51,000 fine, and was immediately remanded to the custody of the United States Marshals. Maldonado was sentenced to 51 months in prison and was permitted to self-surrender at a later date. After a three-month trial in December 1998, a federal jury had convicted Reyes of four counts of bribery involving federal program funds, conspiracy, and a mail fraud scheme to deprive another of his honest services. Maldonado was found guilty of two counts of bribery and one count of conspiracy.

The charges stem from an FBI undercover investigation initiated in 1995 as a result of an allegation that Reyes regularly demanded payoffs from city contractors. Shortly after the investigation began, Reyes, while still a member of the City Council, directed a fictional company established by the FBI, called the "The Cayman Group," to seek an ownership interest in a \$150 million convention center hotel to be developed under city contract. To ensure the award of that contract to a favored developer, Reyes orchestrated a conspiracy in which he solicited and received a \$50,000 cash payment from the Cayman Group, and made cash payments to City Council Members John E. Castillo, Michael J. Yarbrough and John W. Peavy. Reyes was assisted by Maldonado in carrying out the conspiracy.

Previously, Reyes, Maldonado, Yarbrough, Castillo and Peavy had been jointly tried on these charges, but the case resulted in a mistrial when the jury was unable to reach a verdict. For purposes of the retrial the judge severed the charges against Reyes and Maldonado from those lodged against Yarbrough, Castillo and Peavy.

United States v. Castillo, Peavy, and Yarbrough

On May 12, 1999, after a six-week trial, the judge declared a mistrial upon being informed that the jury was deadlocked on all counts of an indictment charging Houston City Councilmen John E. Castillo and Michael J. Yarbrough and former City Councilman John W. Peavy, Jr., with conspiracy and bribery concerning programs receiving federal funds.

In early 1998 these three defendants were tried on the same charges along with Reyes and Maldonado, but the jury was unable to render a verdict and a mistrial was declared. The judge then severed co-defendants Reyes and Maldonado, and they were subsequently convicted on all counts. After the second mistrial, the government determined that another retrial was unwarranted and dismissed the charges against the remaining three defendants.

Olympic Committee Investigation

The following cases resulted from the Justice Department's investigation of Salt Lake City's bid for the 2002 Olympic Winter Games. These cases are being handled jointly by the Public Integrity Section and the Fraud Section of the Department's Criminal Division.

United States v. Kim, Eastern District of New York

On August 31, 1999, a federal grand jury in the Eastern District of New York returned a 16-count indictment charging Jung Hoon Kim, the son of a member of the International Olympic Committee (IOC), with using a green card he knew to be fraudulent.

The indictment relates to a scheme under which Kim was placed on the payroll of Keystone Communications, L.P., for the purpose of qualifying Kim for permanent resident status (*i.e.*, green card status) based on employment. A series of sham "consulting" contracts and "video services" invoices concealed the fact that the Salt Lake Olympic Bid Committee and Kim himself were funding Kim's job.

Kim was charged with using his fraudulently obtained green card to re-enter the United States repeatedly.

United States v. Kim, District of Utah

In a related case, on September 1, 1999, a federal grand jury in the District of Utah returned a one-count indictment charging Jung Hoon Kim with making false statements to an agent of the FBI.

This indictment grew out of the investigation of the scheme described above, in which Kim was placed on the payroll of Keystone Communications, L.P., for the purpose of qualifying Kim for permanent resident status utilizing a series of sham contracts and invoices. The indictment charged Kim with making false statements to an FBI agent in the course of the criminal investigation.

United States v. Simmons, District of Utah

Utah businessman David E. Simmons pled guilty on August 3, 1999, to a one-count misdemeanor information charging him with causing the submission of a false deduction on the 1992 tax return of his company, Keystone Communications, L.P. The charge stems from his participation in a scheme to help foreign national Jung Hoon Kim obtain a green card by setting him up in a fraudulent job at a company run by Simmons.

The plea agreement with Simmons details his role in placing Kim on the payroll of Keystone Communications for the purpose of qualifying Kim for permanent resident status based on employment. Through sham contracts and invoices, the Salt Lake Olympic Bid Committee and Kim himself were funding Kim's job. Simmons caused his company to submit a 1992 tax return that falsely deducted Kim's salary as a business expense.

In the plea agreement, Simmons agreed to cooperate in connection with the ongoing investigation.

Operation Lost Trust Prosecutions District of South Carolina

The Lost Trust cases arose from an FBI undercover investigation that began in 1989 under the direction of the United States Attorney's Office for the District of South Carolina. Twenty-eight individuals were subsequently indicted, primarily on extortion and drug charges. Twenty defendants pled guilty; eight defendants went to trial; seven defendants were convicted and one was acquitted. Following reversals of five convictions obtained by the USAO, and upon allegations of government misconduct, the Lost Trust cases were reassigned to the Public Integrity Section in 1994. After nearly five years of litigation, including a second appeal to the Fourth Circuit Court of Appeals, the Public Integrity Section has obtained convictions of all surviving defendants.

Operation Lost Trust stemmed from a narcotics sting operation against a prominent lobbyist and former state legislator named Ronald L. Cobb. After Cobb was caught, he agreed to cooperate in the FBI corruption investigation of drug use and extortion by members of the South Carolina General Assembly. The investigation centered on the Pari-Mutual Sports Act (PMSA), a bill pending in the South Carolina House of Representatives during the 1990 session of the General Assembly that would have legalized gambling on horse and dog races. Posing as a lobbyist for an FBI dummy corporation, Cobb offered cash to legislators in exchange for joining a "core group" that would support the PMSA by procedural maneuvers, by influencing other legislators, and by direct votes. Cobb met with and paid the legislators at his office or his residence, both of which were wired for audio and video surveillance by the FBI.

Five of the USAO's original convictions were reversed due to erroneous jury instructions. On remand, the USAO superseded the indictments of Larry Blanding, former state legislator, and Luther Taylor, a member of the House of Representatives, consolidating them for retrial with a third legislator, B.J. Gordon, who had also been recruited for the "core group" by Taylor. Two more defendants, Paul Wayne Derrick, a former Member of the South Carolina House of Representatives, and Jefferson Marion Long, a former Member of the South Carolina Senate, obtained orders for separate retrials. The five defendants then launched a series of allegations of misconduct by the FBI and the USAO, leading the USAO to decide to recuse itself from the retrials. The cases were reassigned to the Public Integrity Section.

There followed several years of litigation on motions to dismiss by the defendants, which initially resulted in an order by the trial judge dismissing the pending indictments due to government misconduct. The government appealed this decision, and in 1998 the Fourth Circuit reversed the judge's order and each of his findings of intentional government misconduct. During the litigation on the motions to dismiss, Taylor and Gordon died. The Fourth Circuit remanded the remaining cases against Blanding, Derrick, and Long for retrial. These cases are described below.

United States v. Blanding

On August 20, 1999, a federal jury convicted Larry Blanding, a former South Carolina legislator, of two counts of attempted extortion under color of official right in violation of the Hobbs Act. Blanding was sentenced on December 13, 1999, to 30 months of imprisonment and three years of supervised release.

Blanding was charged with violating the Hobbs Act and accepting two illegal payments totaling \$1,300 in exchange for supporting and expediting the passage of horse and dog track legislation while he was a member of the South Carolina House of Representatives. This was Blanding's third trial. His first conviction, in 1991, was reversed due to erroneous jury instructions. His second trial resulted in a mistrial on June 12, 1999, when the jury was unable to reach a unanimous verdict.

United States v. Derrick

A federal jury found Paul Derrick, a former South Carolina legislator, guilty on May 28, 1999, on all counts of an indictment charging him with violating the Hobbs Act and conspiring to violate the Hobbs Act in connection with his acceptance of a \$1,000 bribe to support and expedite the passage of horse and dog track legislation while he was a member of the South Carolina House of Representatives. Derrick was sentenced on December 13, 1999, to 24 months of imprisonment and three years of supervised release.

United States v. Long

Former South Carolina State Senator Jefferson Marion Long, Jr., pled guilty on June 30, 1999, to a one-count felony information charging him with making a false statement to the FBI.

As part of his plea agreement, Long admitted that he made a false statement to FBI agents who questioned him about his alleged receipt of \$2,800 in connection with pending gambling legislation. Long was sentenced on December 13, 1999, to three years of probation.

Operation Plunder Dome Prosecutions District of Rhode Island

_____The following cases arose out of Operation Plunder Dome, an FBI undercover investigation of municipal corruption in Providence. The cases were handled by the United States Attorney's Office for the District of Rhode Island, with assistance from the Public Integrity Section.

United States v. Ead, Glancy, and Pannone

A federal grand jury returned a 13-count indictment on May 27, 1999, charging three City of Providence officials with various offenses relating to a scheme to lower property tax assessments in Providence in exchange for cash payments. Joseph A. Pannone, the Chairman of the City of Providence

Board of Tax Assessment Review (BTAR), David Ead, the Vice Chairman of the BTAR, and Rosemary Glancy, the Deputy Tax Assessor for the City of Providence, were charged with conspiracy to commit extortion in violation of the Hobbs Act, several attempted extortions, conspiracy to commit mail fraud by depriving the City of Providence of both tax revenues and their honest services, and three substantive mail fraud counts. Pannone and Ead were also charged with conspiracy to commit money laundering and two substantive money laundering counts. In addition, the indictment included a money laundering forfeiture allegation seeking the forfeiture of Ead's vending machine business.

Pannone pled guilty on December 6, 1999 to eight of the ten counts in which he was charged. Pannone pled guilty to conspiring to commit extortion, three counts of attempted extortion, one count of conspiring to commit mail fraud, and three counts of mail fraud. As part of his plea agreement, Pannone also pled guilty to all counts in which he was charged in a separate indictment, described below, relating to a scheme to forgive interest and penalties on past-due taxes in exchange for cash payments. Pannone also agreed to cooperate in the ongoing investigation.

Pannone admitted that he, BTAR Vice Chairman Ead, and Deputy Tax Assessor Glancy conspired to extort cash payments under color of official right from Providence businessman Anthony Freitas. In exchange for the cash payments, the defendants took steps to lower the property tax assessments on two commercial properties owned by Freitas. Pannone admitted accepting over \$5,000 from Freitas over a five-month period in connection with this scheme. Pannone also admitted that he, Ead, and Glancy conspired to use the United States mails to further the scheme, which they intended would deprive the City of Providence of their honest services and tax revenues. Unbeknownst to the defendants, Freitas was a cooperating witness working with the FBI. During the covert portion of the investigation, Freitas made over 170 audio and video tape recordings with Pannone, Ead, Glancy, and others.

Ead subsequently pled guilty to six counts relating to the scheme and agreed to cooperate in the ongoing investigation. In a trial handled by the District of Rhode Island USAO, a jury subsequently convicted Glancy on all counts of the indictment.

United States v. Annarino and Pannone

On September 21, 1999, former Chairman of the Providence Board of Tax Assessment Review Joseph Pannone and Providence Tax Collector Anthony Annarino were indicted on corruption charges relating to a scheme to forgive interest and penalties on past-due property taxes in exchange for cash payments.

Pannone pled guilty on December 6, 1999, to one count of conspiring to commit extortion, one count of conspiring to commit mail fraud, and four counts of mail fraud. Pannone admitted that he and Annarino conspired to extort cash payments under color of official right from Providence businessman Anthony Freitas, in exchange for which they took steps to forgive interest and penalties that Freitas owed on property taxes. As part of his plea agreement, Pannone also pled guilty to eight of the ten counts of a separate indictment in which he was charged relating to a scheme to lower Providence property tax assessments in exchange for cash payments.

Annarino subsequently pled guilty to two counts of attempted extortion.

United States v. Scungio

John A. Scungio, an attorney licensed to practice law in Rhode Island and Florida, pled guilty on December 2, 1999, to a one-count information charging him with making false statements during an interview conducted by agents of the FBI.

Scungio represented Providence property owners Paul and Gail Calenda in their 1998 appeal of three property tax assessments to the Providence Board of Tax Assessment Review. Scungio was referred to the Calendas by Joseph Pannone, then-Chairman of the BTAR. Scungio made a presentation to the BTAR on behalf of the Calendas and the BTAR subsequently reduced the assessments on the Calendas' properties by approximately \$300,000, thus substantially lowering the property taxes that the Calendas would be required to pay. In exchange for these reductions, Pannone accepted \$5,000 in cash from Scungio, who had been given the cash by Gail Calenda to give to Pannone. Pannone told Scungio that the \$5,000 would be split between Pannone, BTAR Vice Chairman Ead, and Providence Deputy Tax Assessor Glancy.

On May 12, 1999, Scungio was interviewed by two agents of the FBI. The agents asked Scungio if he knew how the Calendas had been referred to him when they were seeking representation before the BTAR. Scungio falsely told the agents that he did not know how the Calendas had come to retain him, when in fact he knew that Pannone had recommended him to the Calendas. In addition, the agents asked Scungio if Pannone had received any money in exchange for arranging the Calendas' tax assessment reductions. Scungio falsely stated that Pannone had not received any money in exchange for his actions in connection with the Calendas' BTAR appeal, when in fact Scungio knew that he had provided \$5,000 in cash to Pannone on behalf of the Calendas.

ELECTION CRIMES

The Public Integrity Section closed two matters involving allegations of election crimes during 1999. As of December 31, 1999, three such matters were pending in the Section. Also during 1999, the Section handled the following case involving election crimes:
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United States v. Bertsch, Central District of California

Richard Choi Bertsch pled guilty to a one-count misdemeanor information on August 25, 1999, charging him with making an illegal excessive contribution in violation of the Federal Election Campaign Act. Bertsch was sentenced on November 18, 1999, to one year of probation and a \$9,000 fine.

In 1994, after previously contributing \$1,000 to the reelection campaign of Senator Edward M. Kennedy in his own name, Bertsch caused three of his employees to contribute \$1,000 to the Kennedy campaign. A few days before each of these purported employee contributions, Bertsch provided the three employees with the funds to make the contributions. Through his use of these conduits, Bertsch made \$3,000 in illegal excessive contributions to the Kennedy campaign. Bertsch admitted that, at the time of his excessive contributions, he was aware of the limitation on the amount of contributions individuals could contribute to campaigns for federal office.

PART III

NATIONWIDE FEDERAL PROSECUTIONS OF CORRUPT PUBLIC OFFICIALS

INTRODUCTION

The tables in this section of the Report reflect data that is compiled from annual nationwide surveys of United States Attorneys by the Public Integrity Section.

As discussed in Part I, most corruption cases are handled by the local United States Attorney's Office in the district where the crime occurred. However, on occasion outside prosecutors are asked either to assist the local Office on a corruption case, or to handle the case entirely as a result of recusal of the local Office due to a possible conflict of interest.

The figures in the following tables include all public corruption prosecutions within each district. These prosecutions were either handled solely by the local United States Attorney's Office, jointly by the local Office and a component of the Justice Department in Washington, DC, or solely by prosecutors outside the local office.

LIST OF TABLES

TABLE I: Nationwide Federal Prosecutions of Corrupt Public Officials in 1999

TABLE II: Progress Over the Past Two Decades:
Nationwide Federal Prosecutions of Corrupt Public Officials

TABLE III: Federal Public Corruption Convictions by District
Over the Past Decade

TABLE I

NATIONWIDE FEDERAL PROSECUTIONS OF CORRUPT PUBLIC OFFICIALS IN 1999

Federal Officials

Indicted	480
Convicted	460
Awaiting Trial	101

State Officials

Indicted	115
Convicted	80
Awaiting Trial	44

Local Officials

Indicted	237
Convicted	219
Awaiting Trial	95

Others Involved

Indicted	302
Convicted	306
Awaiting Trial	89

Totals *

Indicted	1,134
Convicted	1,065
Awaiting Trial	329

* The District of New Mexico Did Not Provide Data

TABLE II

**PROGRESS OVER THE LAST TWO DECADES:
NATIONWIDE FEDERAL PROSECUTIONS OF CORRUPT PUBLIC OFFICIALS**

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
FEDERAL OFFICIALS										
Indicted	123	198	158	460	408	563	596	651	629	695
Convicted	131	159	147	424	429	470	523	545	529	610
Awaiting Trial as of 12/31	16	23	38	58	77	90	83	118	86	126
STATE OFFICIALS										
Indicted	72	87	49	81	58	79	88	102	66	71
Convicted	51	66	43	65	52	66	71	76	69	54
Awaiting Trial as of 12/31	28	36	18	26	21	20	24	26	14	18
LOCAL OFFICIALS										
Indicted	247	244	257	270	203	248	232	246	276	269
Convicted	168	211	232	226	196	221	207	204	229	201
Awaiting Trial as of 12/31	82	102	58	61	74	49	55	89	79	122
PRIVATE CITIZENS INVOLVED IN PUBLIC CORRUPTION OFFENSES										
Indicted	285	279	349	265	262	267	292	277	303	313
Convicted	252	294	249	257	257	240	225	256	240	284
Awaiting Trial as of 12/31	87	70	72	77	97	97	84	135	109	109
TOTALS										
Indicted	727	808	813	1,076	931	1,157	1,208	1,276	1,274	1,348
Convicted	602	730	671	972	934	997	1,026	1,081	1,067	1,149
Awaiting Trial as of 12/31	213	231	186	222	269	256	246	368	288	375

TABLE II (continued)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Totals
FEDERAL OFFICIALS											
Indicted	615	803	624	627	571	527	456	459	442	480	10,085
Convicted	583	665	532	595	488	438	459	392	414	460	8,993
Awaiting Trial as of 12/31	103	149	139	133	124	120	64	83	85	101	1,816
STATE OFFICIALS											
Indicted	96	115	81	113	99	61	109	51	91	115	1,684
Convicted	79	77	92	133	97	61	83	49	58	80	1,422
Awaiting Trial as of 12/31	28	42	24	39	17	23	40	20	37	44	545
LOCAL OFFICIALS											
Indicted	257	242	232	309	248	236	219	255	277	237	5,004
Convicted	225	180	211	272	202	191	190	169	264	219	4,218
Awaiting Trial as of 12/31	98	88	91	132	96	89	60	118	90	95	1,728
PRIVATE CITIZENS INVOLVED IN PUBLIC CORRUPTION OFFENSES											
Indicted	208	292	252	322	247	227	200	292	364	302	5,598
Convicted	197	272	246	362	182	188	170	243	278	306	4,998
Awaiting Trial as of 12/31	71	67	126	99	95	91	80	106	128	89	1,889
TOTALS											
Indicted	1,176	1,452	1,189	1,371	1,165	1,051	984	1,057	1,174	1,134	22,371
Convicted	1,084	1,194	1,081	1,362	969	878	902	853	1,014	1,065	19,631
Awaiting Trial as of 12/31	300	346	380	403	332	323	244	327	340	329	5,978

TABLE III

**FEDERAL PUBLIC CORRUPTION CONVICTIONS BY DISTRICT
OVER THE PAST DECADE**

U.S. Attorney's Office	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Totals
Alabama, Middle	0	0	4	4	0	1	4	6	4	2	25
Alabama, Northern	1	0	3	4	12	2	4	4	1	17	48
Alabama, Southern	3	2	0	4	11	3	1	9	0	6	39
Alaska	1	0	1	0	0	2	2	3	1	4	14
Arizona	4	8	8	16	10	2	6	8	5	7	74
Arkansas, Eastern	0	6	2	4	2	0	1	4	4	5	28
Arkansas, Western	3	1	2	2	1	0	0	1	1	0	11
California, Central	57	34	35	92	62	94	66	58	39	58	595
California, Eastern	23	22	20	23	19	18	26	17	18	17	203
California, Northern	2	6	13	22	7	25	16	7	14	9	121
California, Southern	6	6	5	0	4	7	16	2	4	4	54
Colorado	10	13	Not Reported	0	Not Reported	0	0	0	2	1	26
Connecticut	8	4	10	3	16	8	5	4	6	8	72
Delaware	0	0	0	8	1	0	0	1	4	2	16
District of Columbia	50	23	Not Reported	39	80	Not Reported	37	32	72	60	393
Florida, Middle	19	28	23	11	Not Reported	22	24	15	12	24	178

TABLE III (continued)

U.S. Attorney's Office	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Totals
Florida, Northern	9	6	4	10	5	5	7	8	5	4	63
Florida, Southern	42	14	21	22	51	42	29	31	79	106	437
Georgia, Middle	10	19	4	4	17	6	5	6	3	2	76
Georgia, Northern	19	21	17	13	19	19	11	Not Reported	1*	6	126
Georgia, Southern	5	1	Not Reported	10	0	7	1	38	6	3	71
Guam	2	0	3	10	9	1	3	7	6	7	48
Hawaii	6	2	1	7	9	6	4	4	6	2	47
Idaho	1	0	2	3	0	7	4	3	7	5	32
Illinois, Central	1	1	1	4	4	10	10	7	8	2	48
Illinois, Northern	80	18	53	84	74	67	71	55	55	53	610
Illinois, Southern	3	0	1	1	2	24	2	2	4	5	44
Indiana, Northern	9	2	2	6	6	7	12	14	3	8	69
Indiana, Southern	6	6	2	5	8	5	5	4	4	1	46
Iowa, Northern	6	3	2	5	3	4	2	1	3	2	31
Iowa, Southern	4	2	2	4	0	0	0	0	1	0	13
Kansas	0	1	0	5	11	3	1	3	3	6	33
Kentucky, Eastern	12	5	1	9	13	9	8	11	8	17	93
Kentucky, Western	12	7	0	5	5	5	11	4	6	8	63
Louisiana, Eastern	36	6	2	13	20	6	30	24	17	19	173

TABLE III (continued)

U.S. Attorney's Office	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Totals
Louisiana, Middle	14	0	0	5	4	6	7	4	13	3	56
Louisiana, Western	8	4	3	8	11	8	11	11	9	2	75
Maine	3	8	7	10	3	1	6	4	0	0	42
Maryland	2	14	15	21	17	0	11	3	5	7	95
Massachusetts	15	1	Not Reported	9	12	27	35	12	27	21	159
Michigan, Eastern	27	8	13	11	6	1	4	10	14	18	112
Michigan, Western	12	8	3	9	10	11	14	3	0	8	78
Minnesota	9	3	Not Reported	4	5	5	7	1	14	8	56
Mississippi, Northern	3	0	2	13	13	12	6	3	0	42	94
Mississippi, Southern	9	7	13	12	6	3	9	4	8	17	88
Missouri, Eastern	1	8	2	7	17	19	5	7	15	16	97
Missouri, Western	13	9	5	6	9	6	16	18	1	10	93
Montana	17	0	1	0	3	0	0	1	4	5	31
Nebraska	0	3	1	1	1	4	1	1	0	0	12
Nevada	0	5	0	0	1	0	6	1	7	9	29
New Hampshire	1	2	1	1	1	0	0	0	1	1	8
New Jersey	20	8	13	21	23	16	41	21	58	43	264
New Mexico	6	0	6	6	6	0	5	Not Reported	0	Not Reported	29
New York, Eastern	24	16	7	62	20	23	11	39	17	18	237

TABLE III (continued)

U.S. Attorney's Office	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Totals
New York, Northern	17	13	12	14	8	11	22	9	9	9	124
New York, Southern	29	68	Not Reported	29	58	39	38	43	61	33	398
New York, Western	19	11	5	11	21	6	11	11	3	7	105
North Carolina, Eastern	3	16	0	3	2	2	5	9	5	4	49
North Carolina, Middle	4	6	3	4	3	1	0	4	8	7	40
North Carolina, Western	2	1	1	1	2	10	1	8	3	3	32
North Dakota	4	2	2	3	8	10	4	5	6	0	44
Ohio, Northern	36	21	15	35	19	19	25	29	90	25	314
Ohio, Southern	26	13	21	26	21	12	13	11	10	29	182
Oklahoma, Eastern	0	0	0	0	1	1	4	3	7	3	19
Oklahoma, Northern	0	1	7	10	0	2	2	4	4	2	32
Oklahoma, Western	3	0	0	6	6	6	1	1	0	7	30
Oregon	5	0	5	1	2	6	0	0	1	3	23
Pennsylvania, Eastern	27	34	14	29	10	24	11	35	25	37	246
Pennsylvania, Middle	4	6	4	9	9	8	8	14	7	12	81
Pennsylvania, Western	4	8	8	9	1	11	10	2	4	8	65
Puerto Rico	7	3	12	13	4	1	4	2	0	13	59
Rhode Island	6	4	0	2	6	6	0	2	1	3	30
South Carolina	7	0	20	26	22	5	4	6	13	11	114
South Dakota	9	0	2	1	1	6	6	7	7	1	40

TABLE III (continued)

U.S. Attorney's Office	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Totals
Tennessee, Eastern	21	4	0	8	5	7	5	6	Not Reported	4	60
Tennessee, Middle	23	1	1	6	6	1	4	1	0	6	49
Tennessee, Western	33	6	4	12	16	12	10	13	7	12	125
Texas, Eastern	1	3	0	5	Not Reported	31	5	2	9	3	59
Texas, Northern	0	0	1	11	2	4	5	26	7	9	65
Texas, Southern	9	3	6	15	33	26	26	34	22	31	205
Texas, Western	11	2	9	16	7	7	9	2	15	10	88
Utah	6	0	0	0	0	0	0	5	2	5	18
Vermont	0	3	0	1	1	2	0	0	1	2	10
Virgin Islands	10	0	0	3	1	0	Not Reported	5	8	11	38
Virginia, Eastern	32	51	26	15	11	13	7	9	32	17	213
Virginia, Western	2	5	7	4	3	1	1	2	2	8	35
Washington, Eastern	5	0	Not Reported	Not Reported	2	0	0	1	0	1	9
Washington, Western	12	7	1	1	2	17	8	6	10	10	74
West Virginia, Northern	2	2	1	0	0	2	0	1	1	3	12
West Virginia, Southern	13	3	1	5	0	3	3	2	8	3	41
Wisconsin, Eastern	7	4	7	7	1	7	8	6	11	4	62
Wisconsin, Western	0	0	0	0	0	0	1	0	0	0	1
Wyoming	5	1	1	1	4	0	3	3	0	1	19