

13 MAG 2003

Approved: Andrew D. Goldstein
ANDREW D. GOLDSTEIN
Assistant United States Attorney

Before: HONORABLE RONALD L. ELLIS
United States Magistrate Judge
Southern District of New York

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UNITED STATES OF AMERICA	:	<u>SEALED COMPLAINT</u>
	:	
- v. -	:	Violations of
	:	18 U.S.C. §§ 641 and 1341
JOSEPH L. JUNKOVIC,	:	
	:	COUNTY OF OFFENSE:
Defendant.	:	BRONX
	:	

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SOUTHERN DISTRICT OF NEW YORK, ss.:

JOHN W. BARRY, being duly sworn, deposes and says that he is a Criminal Investigator with the United States Attorney's Office for the Southern District of New York ("USAO"), and charges as follows:

COUNT ONE

1. From at least in or about April 2008, up to and including September 2011, in the Southern District of New York and elsewhere, JOSEPH L. JUNKOVIC, the defendant, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, would and did place in a post office and authorized depository for mail matter, a matter and thing to be sent and delivered by the Postal Service and did deposit and cause to be deposited a matter and thing to be sent and delivered by private and commercial interstate carrier, and did take and receive therefrom, such matter and thing, and did knowingly cause to be delivered by mail and such carrier according to the direction thereon, such matter and thing, to wit, JUNKOVIC engaged in a scheme to defraud the New York State Department of Health ("NYSDOH") by obtaining multiple contracts to administer cancer

screening services for indigent New Yorkers, and then billing NYSDOH for thousands of hours that he did not in fact work.

(Title 18, United States Code, Section 1341.)

COUNT TWO

2. From at least in or about April 2008, up to and including September 2011, in the Southern District of New York and elsewhere, JOSEPH L. JUNKOVIC, the defendant, willfully and knowingly did embezzle, steal, purloin, and convert to his use records, vouchers, money and things of value of the United States and a department and an agency thereof, to wit, the United States Department of Health and Human Services ("HHS"), the value of which exceeded \$1,000, and did receive, conceal, and retain the same with intent to convert it to his use and gain, knowing it to have been embezzled, stolen, purloined and converted, to wit, JUNKOVIC billed NYSDOH for cancer screening services, under a program that was funded in significant part by HHS, for thousands of hours that he did not in fact work, and used the money he received to pay for hundreds of thousands of dollars in personal expenses.

(Title 18, United States Code, Section 641.)

The bases for deponent's knowledge and for the foregoing charges are, in part, as follows:

3. I am a Criminal Investigator with the USAO, and have been in that position for approximately four years. Previously, I was a detective with the New York City Police Department ("NYPD") for 20 years. While with the USAO and NYPD, I have participated in multiple investigations of theft, embezzlement, and fraud.

4. I am familiar with the facts and circumstances set forth below from my participation in the investigation of this case and my conversations with other law enforcement officers and others. Specifically, I have spoken with an investigator and other personnel from the Office of the New York State Comptroller (the "Comptroller's Office"), which has been conducting an investigation of JOSEPH L. JUNKOVIC, the defendant, in connection with his role as a vendor to NYSDOH. During the investigation, the Comptroller's Office conducted interviews of JUNKOVIC and other individuals who worked with JUNKOVIC, and gathered and analyzed other evidence including,

but not limited to, financial records, invoices, contract documents, and corporate records pertaining to the administration of NYSDOH's cancer screening program. The information set forth below, except where specifically indicated, is based on my review of relevant evidence and analyses obtained or conducted by the Comptroller's Office, my discussions with investigators with the Comptroller's Office who gathered and analyzed the evidence, and my independent review of various documents. Because this Affidavit is being submitted for the limited purpose of establishing probable cause, I have not included every fact I have learned during the investigation. Where the actions, statements and conversations of others are recounted herein, they are related in substance and in part, unless otherwise indicated.

Overview of the Fraudulent Scheme

5. For more than a decade, NYSDOH has administered a cancer screening program for indigent New Yorkers that is funded in part through millions of dollars in annual grants from HHS. To carry out the program, NYSDOH contracts with not-for-profit and other entities that provide cancer screening services throughout New York State.

6. As set forth in more detail below, in order to obtain cancer screening contracts with NYSDOH, JOSEPH L. JUNKOVIC, the defendant, created a not-for-profit corporation called Cancer Service Network, Inc. ("CSN"). From April 2008 through September 2011, CSN received a total of more than \$25 million from NYSDOH, through more than 18 separate contracts, to provide cancer screening services for indigent New Yorkers. CSN, however, was merely a pass-through organization run out of JUNKOVIC's home in the Bronx, and JUNKOVIC directed the monies CSN received from NYSDOH to administer the cancer screening programs to his personal consulting company, JLJ Consulting Group, Ltd. ("JLJ"). In billing NYSDOH for his services, JUNKOVIC submitted separate invoices for each contract listing the total number of hours he claimed to have worked each month. When added together, JUNKOVIC frequently billed NYSDOH for well more than 600 hours per month - more than 140 hours per week - for his purported services, even while he was frequently on vacation or spending thousands of dollars at various casinos. For some months, JUNKOVIC claimed he had worked so many hours on multiple contracts simultaneously that JUNKOVIC was billing a total of more than 24 hours a day for his services.

The Defendant and His Companies

7. JOSEPH L. JUNKOVIC, the defendant, lives in a multi-family house in the Bronx (the "Residence"). A search of the Residence performed pursuant to a search warrant issued by New York Supreme Court, Bronx County, showed that JUNKOVIC operated both CSN and JLJ out of the Residence, and many of the files for CSN and JLJ located at the Residence were intermingled. Based on the documents found during the search, as well as an interview conducted by the Comptroller's Office with JUNKOVIC in March 2012, JUNKOVIC did not only do work related to NYSDOH's cancer screening program from 2008 through 2012; he also performed tax preparation and business consulting services for several individuals and entities.

8. According to its incorporation records, JLJ is a for-profit corporation established in 1997 by JOSEPH L. JUNKOVIC, the defendant. According to tax returns JLJ filed with New York State, JUNKOVIC is the president, sole owner, and sole employee of JLJ. NYSDOH records show that, from approximately 1997 through 2002, JLJ provided administrative services for NYSDOH's cancer screening program. In his interview with the State Comptroller's Office, JUNKOVIC said that in or about 2002, NYSDOH informed him that it would no longer enter into contracts with for-profit entities such as JLJ to administer the cancer screening program and accordingly would not renew JLJ's contracts.

9. CSN was established in April 2002 by JOSEPH L. JUNKOVIC, the defendant. According to its incorporation records, CSN was "formed to serve as a charitable non for profit organization that will meet with underinsured/uninsured populations and refer individuals who are in need of preventive cancer services, including, but not limited to breast and cervical cancer screenings, mammograms, pap smears, clinical breast exams, cervical exams and follow up procedures on per need basis throughout the five boroughs of New York City." JUNKOVIC is the Chairman and Chief Executive Office of CSN. CSN does not have an office outside of JUNKOVIC's residence in the Bronx, and CSN board minutes obtained pursuant to the search of JUNKOVIC's residence indicate that CSN does not have any employees.

The Cancer Screening Program

10. According to the NYSDOH website, the New York State Cancer Services Program (the "Cancer Services Program") "provides breast, cervical and colorectal cancer screenings at NO COST" to low-income residents of New York State who "[d]o not have health insurance OR have health insurance that does not cover the cost of these screenings." The purpose of the program is to address the "morbidity, mortality, and health related disparities" that indigent New Yorkers face from cancer. The Cancer Services Program is funded in part through millions of dollars in grant money provided by HHS.

11. Pursuant to the Cancer Services Program, NYSDOH enters into "infrastructure" and "clinical" contracts with public and not-for-profit entities that provide cancer screening services. Infrastructure contracts cover administrative services, such as program coordination, case management, outreach coordination, fiscal management, and data management. Clinical contracts cover clinical services, such as screening for breast, cervical and colorectal cancer.

The Fraudulent Scheme

12. From at least April 2008 through September 2011, CSN obtained from NYSDOH a total of more than 18 separate contracts - 9 infrastructure contracts and 9 clinical contracts - with a total value of more than \$25 million, to provide cancer screening services for indigent New Yorkers under the Cancer Services Program.

13. Even though the contracts between CSN and NYSDOH generally required that CSN itself perform "a majority of the work in dollar value (at least 50%)," CSN did not in fact perform any actual services under any of the contracts it obtained from NYSDOH. Rather, as JUNKOVIC admitted in his interview with the Comptroller's Office, CSN was merely a "pass through" entity that subcontracted all of its obligations under the Cancer Services Program contracts to other entities, including JLJ. In particular, CSN subcontracted to JLJ fiscal and data management services under the contracts. Bank records show that from September 1, 2009 through May 2012, CSN paid JLJ more than \$1.2 million. Documents obtained from the search of JUNKOVIC's residence show that he sometimes sent his invoices to NYSDOH by FedEx, and NYSDOH made its payments to CSN through U.S. mail.

14. Pursuant to the contracts between NYSDOH and CSN, CSN submitted proposed annual budgets for each contract that were based on an estimated number of hours that would be worked by individuals and/or subcontractors carrying out the contracts. The contracts also made clear that even if CSN's proposed budgets were approved by NYSDOH, if actual expenditures during the course of the budget period were less than the budgeted amount, CSN was entitled to be paid only for actual expenditures: "In no event shall the amount received by the CONTRACTOR exceed the budget amount approved by the STATE, and, if actual expenditures by the CONTRACTOR are less than such sum, the amount payable by the STATE to the CONTRACTOR shall not exceed the amount of actual expenditures. All contract advances in excess of actual expenditures will be recouped by the STATE prior to the end of the applicable budget period."

15. As part of its audit and in connection with the investigation of this case, the Comptroller's Office examined the contracts between NYSDOH and CSN, annual CSN budgets that were approved by NYSDOH, invoices submitted by CSN to NYSDOH, and payments made by NYSDOH to CSN. These records show the following:

a. For nearly all of CSN's contracts with NYSDOH under the Cancer Services Program, CSN maxed out (or came within a few dollars of maxing out) the budgeted amount. In other words, CSN invoiced the State for nearly every dollar that was initially budgeted.

b. CSN submitted separate monthly invoices for each of its 18 separate contracts. The invoices delineated, among other things, the number of hours that CSN was billing the state for hours worked by JOSEPH L. JUNKOVIC, the defendant. Thus, each invoice contained a representation by CSN - of which, as set forth above, JUNKOVIC was the Chairman and CEO - as to the number of hours purportedly worked by JUNKOVIC on that particular contract. As a result of this process, JUNKOVIC was able to conceal the full amount of hours that he was claiming to work each month on all of the contracts, as his purported hours were spread out over numerous separate invoices.

c. The Comptroller's Office examined the invoices submitted by CSN from September 2009 through March 2012. Those invoices, when grouped together by billing period, show that CSN was massively inflating the number of hours

purportedly worked by JUNKOVIC. For example, for the month of March 2010, CSN billed NYSDOH for a total of 768.90 hours, at \$40 per hour, for work purportedly performed by JUNKOVIC, spread out over 10 separate contracts, as follows:

<u>Contract #</u>	<u># Hours Billed</u>	<u>\$ Billed</u>
C023390:	116.00	\$4,120
C023391:	75.00	\$3,000
C023392:	12.50	\$500
C023393:	50.00	\$2,000
C023394:	50.00	\$2,000
C023395:	50.00	\$2,000
C023396:	220.00	\$5,600
C023397:	100.00	\$4,000
C023398:	77.50	\$3,100
C024429:	<u>17.90</u>	<u>\$716</u>
TOTALS:	768.90	\$27,036

The number of hours billed for JUNKOVIC's time in March 2010 works out to an average of 24.8 hours a day, each day of the month, including weekends. In addition, travel and credit card records show that JUNKOVIC was in New Orleans, Louisiana for five days in March 2010, where he made numerous transactions at a casino, and on six of the remaining 26 days of the month, JUNKOVIC made transactions at a casino in Yonkers, New York (the "Yonkers Casino"). Accordingly, JUNKOVIC appears to have spent one-third of the month of March 2010 away from his home office, making transactions at casinos, even as he billed NYSDOH for purportedly working more than 24 hours a day, every day of the month.

d. The dramatic overbilling for JUNKOVIC's time in March 2010 was not an isolated occurrence. Rather, in month after month analyzed by the Comptroller's Office, JUNKOVIC, through CSN, claimed that he was working far more hours than could possibly have been true.

i. For example, for the month of December 2010, CSN, through 11 separate invoices, billed NYSDOH for a total of 662.19 hours (for a total of nearly \$25,000) for work

purportedly performed by JUNKOVIC - more than 21 hours a day, each day of the month, including weekends and Christmas. In addition, bank records show that JUNKOVIC made transactions on at least three separate days in December 2010 at the Yonkers Casino.

ii. Similarly, for the month of September 2010, CSN billed NYSDOH for a total of 566.7 hours of JUNKOVIC's time, or an average of 18.8 hours per day, for a total of \$22,668 for the month, even though bank records show that JUNKOVIC made transactions on six separate days (four of which were weekdays) in September 2010 at the Yonkers Casino. Bank records further indicate that JUNKOVIC ate several expensive dinners at steakhouses in various locations in New York and New Jersey in September 2010, and made purchases at high-end clothing stores in or near White Plains, New York.

iii. For the month of September 2009, CSN billed NYSDOH for a total of 657 hours of JUNKOVIC's time, for a total of \$23,960, which amounts to nearly 22 hours per day, and bank records indicate that JUNKOVIC made transactions at the Yonkers Casino during at least two weekdays during the month.

iv. Perhaps most egregiously, for the month of August 2010, CSN billed NYSDOH for a total of 590.89 hours of JUNKOVIC's time, for a total of \$22,675, even though travel and bank records show that JUNKOVIC traveled to Vienna, Austria, on August 6, 2010 and did not return until August 30, 2010.

e. Auditors from the Comptroller's Office also analyzed records for the entire 12-month period from April 1, 2010 through March 31, 2011, and found that CSN billed NYSDOH for a total of 6,635 hours (totaling more than \$265,000) for work purportedly performed by JUNKOVIC during that one-year period, averaging 128 hours per week, or 18 hours per day, including weekends, every week of the year.

16. When the Comptroller's Office interviewed JOSEPH L. JUNKOVIC, the defendant, in March 2012, they asked JUNKOVIC if he had any timesheets that would support the hours he claimed to have worked. JUNKOVIC stated, in sum and substance, that he did not keep timesheets reflecting the time he spent working on the Cancer Services Program - even though the contracts with NYSDOH specify that contractors must maintain "proof of performance of required services." Consistent with JUNKOVIC's statement, no timesheets or other documents to support

JUNKOVIC's claimed time were found during the search of his residence.

17. During his interview with the Comptroller's Office, JOSEPH L. JUNKOVIC, the defendant, claimed that he worked on CSN contracts from 5 a.m. until 8 p.m. every weekday, and worked "some weekends." If that were true, then JUNKOVIC would have worked a total of 80 to 90 hours per week (15 hours every weekday, plus some time on the weekends). Based on my experience and training, and my review of records in connection with this investigation, I do not believe there is any way that JUNKOVIC worked even close to 80 hours per week on CSN contracts. Indeed, numerous factors - including (a) the lack of any documentation to support the hours he claimed to work, (b) the fact that JUNKOVIC made transactions at various casinos on a regular basis, often on weekdays, (c) the fact that he spent large periods of time traveling (for example, between April 2008 and March 2012, travel records show that JUNKOVIC took seven trips overseas, sometimes for more than three weeks at a time), and (d) the fact that JUNKOVIC was simultaneously running tax preparation and business consulting services out of his home - indicate that it is doubtful that JUNKOVIC truly worked an average of even 40 hours per week on CSN contracts. In any event, even if JUNKOVIC did, in fact, work 80 to 90 hours per week on CSN contracts as he stated, that would still be far below the numbers of hours that he, through CSN, claimed to NYSDOH that he had worked.

18. Because CSN generally billed NYSDOH \$40 per hour for JUNKOVIC's purported time, auditors from the Comptroller's Office estimate that, solely for the period from April 2010 through March 2011, JUNKOVIC, through CSN, fraudulently overbilled NYSDOH a total of more than \$200,000, assuming that JUNKOVIC worked a standard 40 hours per week during this time period. Because the amounts that CSN billed NYSDOH during other periods between April 2008 and September 2011 were largely consistent with the amounts CSN billed NYSDOH during the April 2010 to March 2011 audit period, auditors from the Comptroller's Office estimate that JUNKOVIC has overbilled NYSDOH for hours not in fact worked by JUNKOVIC for a total of well more than \$500,000 between 2008 and 2011.

19. The invoices and other records analyzed by the Comptroller's Office indicate that JOSEPH L. JUNKOVIC, the defendant, defrauded the State in at least two other ways, in addition to the fraudulent overbilling of his own time.

a. First, in connection with CSN's contracts with NYSDOH, CSN requested and received Cost of Living Adjustment ("COLA") payments, which, pursuant to New York State law and the contracts between CSN and NYSDOH, were permitted to be disbursed only to the "direct contract provider" in order to (1) "promote the recruitment and retention of staff" and/or (2) "respond to critical non-personnel services costs." JUNKOVIC, on behalf of CSN, signed numerous written certifications confirming that the COLA payments would be used only for such purposes. In truth and in fact, however, JUNKOVIC used the payments to pay himself, and he admitted to doing so in his interview with the Comptroller's Office. From April 1, 2010 to March 31, 2012, CSN directed a total of \$114,930 in COLA payments to JUNKOVIC, in violation of the certifications JUNKOVIC made on behalf of CSN.

b. Second, the audit performed by the Comptroller's Office indicates that JUNKOVIC over-reported the number of hours his subcontractors worked to NYSDOH, and then kept the difference for himself. For the audit period of April 1, 2010 to March 31, 2011, CSN billed NYSDOH for a total of 4,691 hours of work (equaling \$97,736) purportedly worked by subcontractors to JLJ. However, three of the subcontractors submitted timesheets in an effort to support the number of hours they worked, and the timesheets show that the subcontractors claimed to have worked only 2,606 hours (equaling \$52,110). Bank records show that JUNKOVIC only paid the subcontractors for the hours reported on their timesheets. Accordingly, during the period of April 1, 2010 to March 31, 2011, JUNKOVIC appears to have intentionally overcharged NYSDOH \$45,626 for time purportedly worked by subcontractors to JLJ, which he retained for himself.

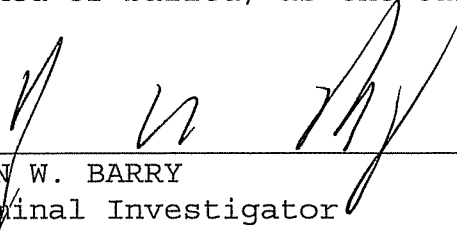
20. Finally, an analysis of bank records in the name of CSN, JLJ, and JOSEPH L. JUNKOVIC, the defendant, show that JUNKOVIC effectively used monies paid by NYSDOH to CSN for his own purposes.

a. In certain instances, JUNKOVIC appears to have used CSN's checking account for personal expenses. For example, on or around March 9, 2012, JUNKOVIC transferred \$3,000 from CSN's bank account to JLJ's checking account while he was in New Orleans, Louisiana making transactions at a casino. Thirty days later, JUNKOVIC appeared to reimburse CSN's checking

account by transferring \$3,000 back to CSN's checking account from JLJ's checking account.

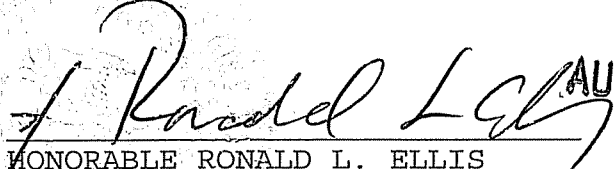
b. From March 2009 through March 2012, CSN transferred more than \$1.2 million to JLJ. JLJ bank records show that JUNKOVIC, in turn, used monies in JLJ's bank accounts for all kinds of personal expenditures, including more than \$250,000 in cash and credit card withdrawals at various casinos, thousands of dollars at steakhouses and other restaurants, and tens of thousands of dollars on payments related to his residence.

WHEREFORE, deponent respectfully requests that a warrant be issued for the arrest of JOSEPH L. JUNKOVIC, the defendant, and that he be imprisoned or bailed, as the case may be.



JOHN W. BARRY
Criminal Investigator
United States Attorney's Office
Southern District of New York

Sworn to before me this
_____ day of August 2013



HONORABLE RONALD L. ELLIS
AUG 13 2013
UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK