

Case Study: White Collar Fraud – Kickbacks & Money Laundering



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Avalon was hired by a corporate law firm representing a billion-dollar healthcare cost management company to assist in the investigation and ultimate termination of their chief technology officer (CTO) for an elaborate contract steering, kickback, and money-laundering scheme.

A whistleblower tipped off the healthcare company that the CTO was steering large value contracts to specific technology companies in exchange for a kickback of the profits from those contracts.

The healthcare company has nearly 900,000 healthcare providers under contract with an estimated 68 million consumers accessing their network products; more than 40 million claims are processed through their network each year. The CTO was responsible for subcontracting hundreds of IT projects each year that varied in length, duration, staffing requirements, and value (but typically in the hundreds of thousands of dollars).

The CTO would instruct the winning IT vendor to increase the number of hours each contract staff member worked and invoice the company for that increased amount. The difference between the actual hours worked and the invoiced amount would be sent from the vendor to the CTO's shell company that he had established in his wife's name. In just over a year, the scheme had generated over \$2.3 million in bribes and kickbacks.

The Challenge

The client needed Avalon to surreptitiously reset all critical passwords so the CTO would be unable to access corporate systems.

The Strategy

Avalon coordinated with the company's chief information officer (CIO) to understand what systems the CTO had administrative access to, so they could be reset. In addition to the standard corporate systems, such as building access, voicemail, email, network file shares, and remote VPN, the CTO was responsible for processing over 40 million healthcare claims every year, so this would require an extensive forensic investigation.

Several meetings were conducted, and teams were identified in each

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of the data center locations (two large national data centers in Boston and Illinois) to assist with the resetting of administrative passwords for all critical systems.

As the kickback and money-laundering investigation continued, Avalon learned that the CIO was also involved in the scheme: he was the best man in the CTO's wedding a few years prior, and money was transferred from the CTO's shell corporation to an entity later traced to the CIO.

Our team continued to coordinate with the cooperating CIO, and the management team brought in the CTO to meet with investigators and attorneys from the client.

Avalon seized the CTO's desktop computer and several laptops and, in a command center set up on site, forensically imaged each hard drive. Avalon and the CIO held a conference call with the Boston and Illinois data center teams to review the critical system worksheet that our experts prepared for them to follow as they reset and changed each administrative credential on every critical system. The teams reported back as the tasks were completed. Due to the CIO's participation in the process, the operation only took a few hours.

Following this process, the CIO was scrutinized by investigators and attorneys from the client's firm. Avalon then worked with the teams in Boston and Illinois again to reset and change every administrative credential.

The Results

With the help of Avalon's forensics team, the client was able to work with the healthcare company to terminate its CTO and CIO. After termination, they both pleaded guilty to their crimes in federal court and were sentenced to various lengths of prison time with fines and forfeitures in excess of \$5 million. 🏴‍☠️

QUESTIONS?

For more information on any of our services, please contact:

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