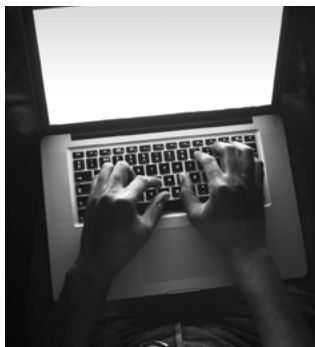


Case Study: White Collar Fraud – Illegal Kickback Scheme



In just over a year, the scheme had generated over \$2.3 million in bribes and kickbacks.

The Challenge

Avalon was hired by a corporate law firm, who represented a billion-dollar healthcare cost management company, to assist in the investigation and ultimate termination of the 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 for those contracts. Essentially, the CTO was in charge of supporting and expanding the extremely large Oracle Database farms that encompassed the company's healthcare claims-processing functions.

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 sub-contracting 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 Strategy

Avalon coordinated the termination effort with the Chief Information Officer (CIO) of the company 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, a CTO responsible for processing over 40 million healthcare claims every year required a very thorough investigation. Several

meetings were conducted and teams were identified in each of the data center locations (two huge national data centers in Boston and Illinois) to assist with the resetting of administrative passwords for all of the critical systems.

As the kickback scheme 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.

The healthcare company wanted to terminate both the CTO and CIO in a way that would prohibit them from being able to somehow damage the operation.

Avalon 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 Avalon prepared for them to follow as they to consistently and simultaneously reset and changed every 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 then scrutinized by investigators and attorneys from the client's firm. Then Avalon worked with the teams in Boston and Illinois again to reset and change every administrative credential on every critical system.

The Results

With the help of Avalon's forensics equipment and trained staff, the client was able to successfully work with the healthcare company to terminate its



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CTO and CIO. After termination, they both pleaded guilty to their crimes in federal court and were sentenced to various lengths of prison time and fines and forfeitures in excess of \$5 million. 🛡️



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