



— THE UNITED STATES ATTORNEY'S OFFICE —
DISTRICT OF RHODE ISLAND

**Mastermind of Multi-Million Dollar Naval Fraud Scheme
Sentenced to 10 Years in Federal Prison FOR IMMEDIATE RELEASE**

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November 1, 2013

PROVIDENCE, R.I. – Ralph M. Mariano, 55, of Warwick, R.I., and South Arlington, VA., a former senior systems engineer with the United States Navy's Naval Sea Systems Command (NAVSEA) in Newport, R.I., and Washington, D.C., was sentenced in U.S. District Court in Providence, R.I., today to 120 months in prison for masterminding a kickback scheme which defrauded the U.S. Navy of nearly \$18 million dollars. Mariano pleaded guilty in May 2013 to conspiracy and theft of government funds.

Peter F. Neronha, United States Attorney for the District of Rhode Island; Craig Rupert, Special Agent in Charge of the U.S. Department of Defense, Defense Criminal Investigative Service, Northeast Field Office; Special Agent in Charge Vincent B. Lisi of the FBI's Boston Field Office; Cheryl DiPrizio, Special Agent in Charge of the Naval Criminal Investigative Service, Northeast Field Office; and John Collins, Acting Special Agent in Charge of the Boston Office of the Internal Revenue Service - Criminal Investigation announced the sentence imposed by U.S. District Court Chief Judge Mary M. Lisi.

At the time of his guilty plea, Mariano admitted to the court that from 1999 to 2011 he used his position at NAVSEA to direct Russell Spencer, a computer software specialist in Rhode Island, to submit millions of dollars in fraudulent invoices to Navy contractor Advanced Solutions for Tomorrow (ASFT), a now defunct Roswell, GA., and Middletown, R.I., company and to ASFT subcontractors. Mariano admitted that he directed ASFT and ASFT subcontractors to pay Spencer the full amount of the invoices with government funding ASFT received from the Navy. The invoices, processed by Patrick Nagle, Chief Financial Officer of ASFT, totaled approximately \$17,957,000.

Mariano admitted that he directed Spencer to distribute the funds to Mariano and to individuals close to him, and that he received approximately \$3 million dollars in checks beginning in 2003 and bi-weekly \$3,500 cash payments from 2004 to 2011.

U.S. Attorney Peter F. Neronha commented, "Nothing does more to erode trust in government than when a public official acts not in the public's interest, but in his own. Mr. Mariano, whose sole obligation was to the United States Navy, and more broadly to the taxpayers, instead served only himself and his associates, committing fraud on a massive scale. He spent millions of dollars of taxpayer money in every conceivable way, money that otherwise would have been used to protect the people of this nation. His actions are indefensible, and he deserves every minute of the lengthy sentence he received today."

At the time of his guilty plea, Mariano admitted to the court that in addition to the money he received, at his direction \$2,567,028 was paid to his father, Ralph Mariano, Jr.; \$1,692,650 was paid to his brother, Joseph Mariano and to his companies; \$207,900 was paid to a veterinary laboratory company controlled by his sister, Michelle Mariano; \$2,446,445 was paid to private entities controlled by Anjan Dutta-Gupta, CEO of ASFT; and \$478,880 was paid to a company owned by Attorney Mary O'Rourke, of Warwick, R.I.

“Mr. Mariano’s acts, while especially heinous individually, corrupted others, cost hard working Americans their jobs, and resulted in a tremendous loss to U.S. taxpayers, both financially and in their trust,” said Craig W. Rupert, Special Agent in Charge, Office of the Inspector General, Department of Defense, Defense Criminal Investigative Service Northeast Field Office. “Mr. Mariano’s actions directly affected the readiness of our naval forces, and his sentence demonstrates the continuing dedication of DCIS and our law enforcement partners to investigate and prosecute corrupt government officials. Consistent with our mission to “Protect America’s Warfighters,” DCIS remains vigilant to ensure the integrity of the DoD acquisition process and the safety and security of the U.S. military and the nation.”

“The FBI has a simple message of deterrence: It would be wise for any public official who is considering illegal acts to realize that we have successfully investigated nearly every conceivable corruption scheme that’s been concocted. Should they decide to betray the public’s trust, I promise we will bring them to justice,” said Vincent Lisi, special agent in charge of the FBI’s Boston Division. “We pursue these investigations because the cost of corruption is high and the American public relies on us to do so.”

Cheryl DiPrizio, Special Agent in Charge of the Naval Criminal Investigative Service’s Northeast Field Office added, “At a time when the Navy is making difficult strategic choices due to funding constraints, it’s particularly appalling that Mr. Mariano, who was employed to serve the Navy, has instead caused significant harm to the Navy, to Sailors defending our nation around the globe, and to the American taxpayers who deserve honest and competent government employees. NCIS will continue to dedicate significant resources and work with our law enforcement partners in identifying and investigating all those who seek to steal from or defraud the Department of the Navy.”

John Collins, Acting Special Agent in Charge, IRS Criminal Investigation stated, “Today’s sentencing of Ralph Mariano brings to justice a key player in a public corruption scheme of massive proportions. Mariano and his co-conspirators developed a sophisticated scheme to defraud the government and they lined their pockets at the taxpayers’ expense. In addition to pleading guilty to conspiracy and theft charges, Mariano pleaded guilty to tax charges based on his failure to report these ill-gotten gains as income. Fraudsters should beware that such ill-gotten gains are taxable income. This investigation highlights the positive impact on justice which is obtained through the collaborative efforts of multiple federal law enforcement agencies and the U.S. Attorney’s Office.”

In addition to pleading guilty to conspiracy and theft of government funds, Ralph Mariano also pleaded guilty to one count of tax evasion. Mariano admitted that from 2006-2009, he failed to report \$1,864,910 in income he received from Russell Spencer and that he failed to pay \$726,650 in taxes to the IRS.

At sentencing, U.S. District Court Chief Judge Mary M. Lisi ordered Mariano to make restitution to the U.S. Navy in the amount of \$17,957,000; to pay a \$10,000 fine; and to serve 3 years of supervised release upon completion of his imprisonment. Mariano was ordered to self-surrender to the Bureau of Prisons by November 26, 2013.

Anjan Dutta-Gupta, 60, of Roswell, GA., who pleaded guilty on April 28, 2011, to one count of bribery, is scheduled to be sentenced on December 4, 2013; Russell Spencer, 59, of Portsmouth, R.I., who pleaded guilty on July 25, 2012, to one count of conspiracy to commit bribery and on April 19, 2012, to one count of lying to the FBI is scheduled to be sentenced December 5, 2013; Patrick Nagle, 52, of Marietta, GA., who pleaded guilty on September 13, 2011, to one count of conspiracy to commit bribery, is scheduled to be sentenced on November 15, 2013; Mary O’Rourke, 50, of Warwick, R.I., who pleaded guilty on May 30, 2013, to one count of theft of government property, will be sentenced on December 5, 2013.

Ralph Mariano, Jr., 82, of North Providence, R.I., who pleaded guilty on May 15, 2013, to four counts of tax evasion, was sentenced on August 16, 2013, to four years of probation.

The cases are being prosecuted by Assistant United States Attorneys Lee H. Vilker, Terrence P. Donnelly and Dulce Donovan.

The matter was investigated by the U.S. Department of Defense - Defense Criminal Investigative Service; Federal Bureau of Investigation; Naval Criminal Investigative Service; and Internal Revenue Service, Criminal Investigation.

This law enforcement action is part of President Barack Obama's Financial Fraud Enforcement Task Force. The President established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources.

The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

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To assist the media and the public, a glossary of federal judicial terms and procedures is available at <http://www.justice.gov/usao/justice101/>