

United States Department of Justice

For Immediate Release

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Central District of California

Burbank Man Sentenced to Eight Years in Federal Prison for Laundering Proceeds Related to Health Care Fraud

A publisher of Russian-language newspapers and magazines was sentenced today to eight years in federal prison for running a sophisticated “cash-back” scheme that helped numerous perpetrators of health care fraud to avoid the payment of taxes and to obtain cash to be used for kickbacks to associates.

Andranik Petrosian, 43, of Burbank, was sentenced to 96 months in prison by United States District Judge Stephen V. Wilson. In addition to the prison term, Judge Wilson ordered Petrosian to pay \$521,845 in restitution to the Internal Revenue Service.

Following a trial in April 2008, a federal jury convicted Petrosian of conspiracy to defraud the Internal Revenue Service and making false statement to special agents with the IRS.

At today’s sentencing hearing, Judge Wilson said the evidence at trial showed that Petrosian was at the “fulcrum” of a money-laundering scheme that helped perpetrators of health care fraud avoid paying federal taxes.

A joint investigation by IRS-Criminal Investigation, the Federal Bureau of Investigation, and the Office of Inspector General for the U.S. Department of Health and Human Services found that Petrosian used his publications as fronts to launder more than \$10 million for fraudulent medical companies. The medical companies wrote checks to Petrosian's companies—which included the newspaper Contact Weekly and the magazines Kakadu and Tet-a-Tet—for advertising or graphic design services that were never provided. Petrosian returned approximately 90 percent of the money to the medical company administrators in cash. The cash was handed over in white envelopes during back-office meetings at Petrosian’s office on Glenoaks Boulevard in Burbank. Petrosian obtained large quantities of cash, either by smuggling cash into the United States derived from wire transfers to Armenia, or via an elaborate Hawalla-type money-changing system.

Petrosian provided invoices for the advertising, which allowed the medical companies to falsely deduct the payments on their tax returns. While Petrosian did place advertisements in his publications, these advertisements were worth only a small fraction of the price paid by medical companies across the Southwest. The medical company administrators used the cash Petrosian returned to finance payments made to patients and cappers as part of their health care fraud schemes.

Petrosian's operation fueled medical insurance fraud schemes by providing a steady stream of untraceable cash. In one such scheme, a clinical laboratory used the cash Petrosian provided to

make illegal kickback payments to clinics in exchange for the clinics referring blood samples to the laboratory for analysis. The payments motivated the clinics to refer patients for medically unnecessary tests that were paid for by Medicare. The organization involved in this scheme defrauded Medicare out of more than \$20 million