

NEW JERSEY BUSINESS

September 2013

A Publication of the New Jersey Business & Industry Association

COMBATTING

FRAUD

IN NJ

- **Comptroller Matthew Boxer**
- **Insurance Fraud Prosecutor Ronald Chillemi**
- **Forensic Accounting**

Plus

South Jersey
Conference Choices
The Feliciano Center

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NEW JERSEY
BUSINESS
A Publication of the New Jersey Business & Industry Association

Vol. 59 | No. 9 | September 2013

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Subscription Prices
USA, Territories & Possessions:
\$24/year, \$39/two years, \$52/three years;
Canada: \$30/year; Foreign: \$55/year

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New Jersey Business (ISSN 0028-5560) is published monthly by the New Jersey Business & Industry Association at the editorial & advertising offices: 10 West Lafayette Street., Trenton, Mercer, NJ 08608-2002. Periodicals postage paid at Trenton, NJ, with additional mailing offices. Postmaster: Send address changes to: New Jersey Business, 310 Passaic Avenue, Fairfield, NJ 07004. Contents not to be reprinted without the permission of the publisher. Submitted material becomes the property of New Jersey Business.

Combatting Fraud in NJ

It is a sad reflection on human nature that fraud exists everywhere. It is just as disturbing that waste, sometimes a result of sheer indolence and/or a lack of concern for another's well-being (be it their health or financial stability) is prevalent in society. How many local, county and state governments, not to mention

"Many activities of life are insurable today, and in any one of those areas, there can be cases of fraud."

— Ronald Chillemi

federal government programs, could be fiscally sound – and how much in taxpayer money could be saved – if fraud and waste did not exist? Yet they do.

Fortunately, there are individuals and organizations doing their best to combat these two reprehensible activities.

In this issue of *New Jersey Business* magazine, we focus on two state government entities that have been uncovering waste and fraud in the public and private sectors. Our first story, appearing on page 24, focuses on how the Office of State Comptroller, headed by Matthew Boxer, is tackling government wrongdoings when it comes to the handling of taxpayer dollars. In some of the headline-grabbing occurrences of waste and fraud in New Jersey, the OSC has uncovered: nearly \$24 million in government benefits wrongfully going to some 20,000 prisoners; \$100 million in Medicaid fraud in both 2011 and 2012; and more than \$43 million of unjustified employee bonuses, unnecessary perks and inappropriate sick leave payouts at the New Jersey Turnpike Authority.

Boxer, who has been the state comptroller since 2008, says nothing surprises him anymore in terms of fraud and waste in the state: "We are accustomed to the usual tricks. I am pretty much familiar with the operation of government in New Jersey and the areas where we need improvement."

On page 29, we shed a spotlight on the work of the Office of Insurance Fraud Prosecutor (OIFP). Headed by Ronald Chillemi, the office, which is part of the state Office of Attorney General, is the focal point for all criminal, civil and administrative prosecutions of Medicaid and insurance fraud in the state.

Asked to explain the different types of insurance fraud, Chillemi responds, "Many activities of life are insurable today, and in any one of those areas, there can be cases of fraud." More specifically, the OIFP seeks the conviction of alleged criminals in the areas of auto, healthcare claims, workers' compensation, disability and unemployment insurance fraud, to name a few categories.

We complete our look at fraud and waste with a story on forensic accounting on page 32. Written by Contributing Writer Michael Silverstein, the story discusses how certified public accountants can transform themselves into super sleuths to solve both corporate and government white-collar crimes.

This is an interesting series of stories that proves that fraud and waste is being fought, head-to-head, on a daily basis in New Jersey. **NJB**

Anthony Birritteri



Ronald Chillemi

OIFP Seeks to Deter Insurance Fraud

Insurance Fraud Prosecutor Ron Chillemi stresses bigger cases and longer prison sentences.

By Anthony Birritteri, Editor-in-Chief

When asked to explain the different types of insurance fraud in New Jersey, state Insurance Fraud Prosecutor Ronald Chillemi takes a deep breath and gives a broad, but honest answer: "Many activities of life are insurable today, and in any one of those areas, there can be cases of fraud."

Serving as the focal point for all criminal, civil and administrative prosecutions of Medicaid and insurance fraud in the state, the Office of the Insurance Fraud Prosecutor (OIFP), with its staff of 118, including 27 attorneys and 51 detectives, pursues alleged criminals to seek convictions in the areas of auto, healthcare claims, workers' compensation, disability and unemployment insurance fraud, to name a few categories.

Located within the Richard J. Hughes Justice Center in Trenton and part of the State Office of Attorney General, one of the OIFP's missions, according to Chillemi, is "to keep [insurance costs] down for consumers as much as possible, because

when insurance companies make large payouts for large claims, the costs get passed along to you and me."

Chillemi was nominated to his post in May of 2011 by Governor Chris Christie. Prior to this, he served for nearly nine years as an Assistant US Attorney in New Jersey, where he prosecuted a range of white-collar criminals.

As head of the OIFP, he has been leading an effort to prosecute larger cases which result in longer prison sentences, hoping these efforts act as a deterrent for criminals. "We could have 80 attorneys on staff here and still not deal with all the cases that the insurance industry refers to us," Chillemi explains. "So we want to operate on a deterrence principle because it is such a good force multiplier. ... The bigger cases will get the bigger headlines and people will hear about the sentences."

He explains the OIFP has more than doubled the average prison sentences for those who were prosecuted and convicted, from an average of 1.25 years in prison in 2010 to 2.97 years in 2012.

In a recent case, a Middlesex County man, Jose D. Lopez, pleaded guilty to a first-degree crime of promoting organized street crime by supervising a ring that stole more than 100 vehicles worth a total of more than \$550,000. Couple with related second- and third-degree charges, the state will recommend that Lopez be sentenced to 15 years in state prison with five years of parole ineligibility.

"That type of sentence gets people thinking," Chillemi says. "That is what we want."

OIFP works with auto insurers writing policies in the state. "The insurance companies are required, by law, to refer fraud cases to us. We take those referrals and begin standard investigations," he says.

Loni Hand, an assistant vice president and director of the Special Investigations Unit (SIU) at New Jer-

sey Manufacturers Insurance Group (NJM), West Trenton, explains the relationship with OIFP: "A claims adjuster or underwriter at NJM would make a referral to SIU. We would assign an investigator to the case who would conduct social media investigations, surveillance operations and interviews, etc."

"If we develop a reasonable suspicion of fraud, we then refer the case to OIFP. The OIFP then decides if it will be a criminal investigation or a civil investigation, which would go to the Bureau of Fraud Deterrence (within the state Department of Banking & Insurance)," Hand explains.

Of the relationship between NJM and OIFP, Hand says, "One of the things we hope we offer is expertise in regards to insurance. OIFP has more of a law enforcement background. We work collaboratively with them in terms of providing any kind of training or support in which they are interested."

According to Chillemi, "What I find most valuable is just having an ongoing dialogue with auto insurance companies. When I came to this office, we identified the largest insurance writers in the state, and every six months, we visit them on a rotating basis. We go to their offices, and six months later, they come to our office."

In a recent effort to deter insurance fraud, the OIFP embarked upon a \$475,000, summer long multi-media advertising campaign, which ends this month. The tagline of the campaign is "Where does insurance fraud end in New Jersey? In prison." The message has been placed on buses, trains, billboards and television stations throughout the state.

The office welcomes tips from the general public via its hotline 1-877-55-FRAUD. People can also report fraud online at www.njinsurancefraud.org. **NJB**



NJM Bank promotes Lee J. Bellarmino (left) to chairman and CEO and Robert G. Russell, Jr. to president.

NJM Bank Announces Promotions

The board of directors of NJM Bank promotes Lee J. Bellarmino of Toms River to chairman of the board and chief executive officer, and Robert G. Russell, Jr. of Long Valley to president. In addition, Robert J. Monk of Warmminster, Pa., has been named vice president as well as secretary of the board of directors of NJM Bank.

Bellarmino was first elected as an outside director of NJM Bank in 2001 and became NJM Bank's president in 2004. He also serves as a senior vice president of New Jersey Manufacturers Insurance Company (NJM), NJM Bank's parent company, and sits on the boards of NJM and NJM Bank. Prior to joining the NJM organization, Bellarmino built his career through experience with Right Management Consultants, Trenton Savings Bank and CoreStates Financial Corporation.

Russell joined NJM Bank in 2003 as vice president, chief financial officer and investment officer. Most recently, Russell served as executive vice president, chief financial officer and investment officer. Prior to his roles at NJM Bank, Russell gained experience at several banking institutions, including First Savings Bank, Affinity Federal Credit Union and United National Bank.

Monk began his NJM Bank career in 2011 as a Commercial Lending/Business Banking Officer. Prior to that, he gained banking experience, specifically in commercial lending, at several organizations, including Abington Bank, Citizens Bank of Pennsylvania, First County Bank and Mellon PSFS. **NJB**