

HealthSouth Corporation / Thomas Carman

Case ID:

ST-198

Case Cluster :

HealthSouth Corporation

Jurisdiction of Settlement:

United States

Jurisdiction of Settlement / Enforcement Agency:

Department of Justice

Jurisdiction of Foreign Public Official(s) :

Saudi Arabia

Year of Settlement:

2004

Month/Day of Settlement (or Notes):

04/27

Other Jurisdictions of Settlement:

Unknown

Settlement with Individual or Legal Person?:

Individual

Type of Settlement:

Criminal

Legal Form of Settlement:

Guilty Plea

Monetary Sanctions (Types):

Criminal Fine

Total Monetary Sanctions (US\$):

\$500.00

Criminal Fine/Penalty (US\$) :

\$500

Monetary Sanctions Returned / Ordered Returned (US\$):

\$0

UNCAC Articles(s) Implicated:

Art.16

OECD Anti-Bribery Convention Articles Implicated:

Art. 1

Offenses - Alleged:

False Statements to the FBI (18 USC Section 1001)

Offenses - Settled:

False Statements to the FBI (18 USC Section 1001)

Public Procurement Contract / SOE Involved?:

Yes

Summary:

According to the US Department of Justice Press Release, "Vincent Nico, former Vice President of HealthSouth Corporation, has been charged with wire fraud related to contracts with a hospital in Saudi Arabia. Nico, 47, of Palm Harbor, Florida, has agreed to plead guilty to

the wire fraud charge contained in a criminal information that was filed at U.S. District Court in Birmingham, Alabama. In addition, former HealthSouth Executive Vice President Thomas Carman, 52, of Birmingham, has agreed to plead guilty to a separate criminal information charging him with making a false statement to the FBI. [] HealthSouth was a corporation organized under the laws of the State of Delaware with its headquarters in Birmingham, Alabama. [] The charges against Nico and Carman stem from HealthSouth's agreement to provide staffing and management services for a 450-bed hospital in Saudi Arabia. Under HealthSouth's contract with a Saudi foundation which built and owned the hospital, HealthSouth was to receive \$10 million annually over a five-year term. According to the criminal informations, the Saudi foundation's director general solicited a \$1 million payment from HealthSouth, ostensibly as a "finders fee." Against the advice of counsel, HealthSouth allegedly agreed to pay the Saudi foundation's director general the sum of \$500,000 per year for a five-year period in return for his agreement to execute the contract on behalf of the Saudi foundation. In order to conceal the true nature of the scheme, HealthSouth officers, including Nico and Carman, allegedly arranged for the foundation's director general to execute a bogus consulting contract with a HealthSouth-affiliated entity in Australia. Until the scheme was detected in 2003, HealthSouth paid the amounts due under this phony consulting contract by wiring them to Australia, where they were subsequently wired to the foundation's director general in Saudi Arabia, according to the charges. The HealthSouth officers allegedly undertook this conduct despite the fact that they had been specifically advised beforehand by an attorney retained by HealthSouth that such conduct would amount to a violation of federal criminal law. The criminal information against Nico charges that he violated his duty of honest services to HealthSouth by accepting a kickback from the foundation's director general whereby Nico received \$125,000 per year from the \$500,000 paid to the foundation's director general. Under this agreement, Nico received a total of \$375,000 in undisclosed payments. In addition, Nico received \$631,502 from HealthSouth as payment of a bonus he demanded based his claim that he had performed exemplary service for the company in securing and maintaining the contract with the Saudi foundation, and that he had not received any compensation for that service. Nico has agreed to forfeit \$1,005,602, the total amount he received from the foundation's director general and as payment of the bonus from HealthSouth. The criminal information against Carman charges that he made a false statement to the FBI when he claimed during an interview that the consulting contract with the foundation's director general was intended to be a legitimate arrangement under which real services were to be provided." (Source: US Department of Justice Press Release, "Former HealthSouth Officers Charged in Fraud Conspiracy involving Saudi Hospitals," March 2, 2004.)

Sources :

US Report to the Organisation for Economic Co-operation and Development, "Steps taken to implement and enforce the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions," Information as of May 31, 2011, HealthSouth Corporation Case Summary at 122-123, accessed at <http://www.oecd.org/dataoecd/18/8/42103833.pdf>. US v. Carman, Case No. 2:04-cr-00093-LSC-JEO (N.D. Ala.), Information filed March 2, 2004, accessed at <http://www.justice.gov/criminal/fraud/fcpa/cases/carman/03-02-04carman-info.pdf>; Plea Agreement filed March 21, 2004, accessed at <http://www.justice.gov/criminal/fraud/fcpa/cases/carman/03-02-04carman-plea-agmt.pdf>; Judgment dated August 3, 2005, accessed at <http://www.justice.gov/criminal/fraud/fcpa/cases/carman/08-03-05carman-judgment.pdf>. US Department of Justice Press Release, "Former HealthSouth Officers Charged in Fraud Conspiracy involving Saudi Hospitals," March 2, 2004, accessed at http://www.justice.gov/opa/pr/2004/March/04_crm_131.htm