

**PUBLIC SAFETY  
PUBLIC INTEGRITY  
& MORE**



2012

A REPORT FROM  
**ATTORNEY GENERAL BILL SCHUETTE**

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## An Introduction From **ATTORNEY GENERAL SCHUETTE**

When I sought the office of Attorney General in 2010, I spoke a great deal about my goals for the office. Public safety was at the top of my list. So was sweeping out corruption in public offices. I wanted to deliver important help to victims of crime, people who until recent years have been consigned to the back rows and obscure corners of our justice system. I promised to shine a light on human trafficking, in particular on the modern-day enslaving of young girls in prostitution.

Consumer protection has been a high-priority under past attorneys general and it remains so with me. At the same time, we confront issues like ridding our communities of illegal gambling, protecting homeowners from foreclosure fraud and heading off the Asian carp and other threats to our magnificent Great Lakes environment. Part of every aspect of this job is the constant duty to be vigilant for ways to boost our Michigan economy, building on the momentum achieved by Gov. Rick Snyder in restoring opportunity to our employment market and Michigan futures for our children.

This document measures me against my words and the challenges of my office, while also offering a snapshot report to you on what the Department of Attorney General is doing overall for our state.

The dedicated men and women here handle 40,000 legal cases and hundreds of consumer services each year. For each \$1 appropriated to the department, the department records \$76 in savings from defending lawsuits and in awards payable to the state. Total state appropriations to the department amount to less than one half of one percent of all dollars spent by state government.

You'll find no "end of the story" conclusion in this report, just as the job itself and the work of public service never is finished. The document is a to-be-continued summary, a glimpse of where we are at this moment – and where we are going to meet our high-value responsibilities to you. We thank you for the opportunity.

Sincerely,

A handwritten signature in cursive script, reading "Bill Schuette", is positioned below the word "Sincerely,".

# ATTORNEY GENERAL'S Fast Facts

## PUBLIC SAFETY

Public safety is Priority Number One with Bill Schuette and it runs through every one of the 21 divisions of the Department of Attorney General. A big part of his attack on crime is a major proposal –“VO-4”–to tighten laws to keep repeat violent offenders off the streets, which was adopted by lawmakers in September 2012 and signed by Gov. Snyder in October.

## PUBLIC INTEGRITY

Less than a week after being sworn into office, the Attorney General formed the Public Integrity Unit to attack corruption in state and local government, protect tax dollars and strengthen public trust in government. The unit works with local, state and federal law enforcement in attacking abuses. Schuette voluntarily placed his own assets in a blind trust to assure Michigan citizens that his state responsibilities won't conflict with his personal financial interests.

## STANDING WITH CRIME VICTIMS

In May 2011, Schuette created the post of Director of Crime Victim Advocacy to serve as a voice for crime victims, a watchdog over enforcement of the state's William Van Regenmorter Crime Victim Rights Act and as a coordinator of further improvements in statewide support for victims of crime. An easy-to-use source of information and assistance for crime victims was added to the Attorney General's website. Schuette won expanded protection for child sex-abuse victims who testify in court and launched a fight for notices to crime victims when criminals are freed or escape.

## PROTECTING CHILDREN

In his first 21 months in office, Bill Schuette's Child Support Division brought in \$30 million that provided a direct benefit to 2,370 Michigan children. This is an accelerated rate of collections, with about half the dollars collected coming from people who have left Michigan. The Child Protection Services Division took on 915 new child protection cases, involving 1,751 children. The Cyber Safety Initiative, a school presentation showing children how to avoid dangers on the Internet, was shown 2,217 times to 199,537 children.

## FIGHTING HUMAN TRAFFICKING

Schuette created a special in-house team to expose and prosecute human trafficking, which victimizes young girls forced into prostitution. In 2011, he brought the first charges under Michigan's six-year-old human trafficking law. In 2012 came the first guilty verdict, a Detroit man being convicted of enslaving two girls. Also in 2012, he proposed strengthening the law, including seeking stronger protections for minors and more severe penalties for "johns" who solicit sex from minors.

## CONSUMERS

Through Sept. 30, 2012, consumers benefitted from \$2.98 million in refunds and debt cancellations won by Schuette's Consumer Protection Division. Another \$6.5 million was collected in civil penalties and compensation for state investigative costs. Schuette created an online database so donors to charities can see how much of their contributions actually reach their intended purposes.

## SENIORS

The Attorney General won a historic five-year freeze on seniors' Blue Cross-Blue Shield Medigap rates. An earlier challenge to a Blues' rate-increase proposal resulted in a settlement that saved seniors \$36 million.

The Senior Brigade offered 592 free seminars around the state to help seniors and caregivers with residential care choices, home repair, identity theft, investment decisions, and online safety as well as solicitations and the many schemes and tricks that prey upon the elderly

## KEEPING DRUGS AWAY FROM CHILDREN

Schuette intervened to keep Michigan's well-intentioned new medical marijuana law from becoming a source of community crime. He worked with lawmakers to close loopholes, briefed local officials on struggles for clarity in the law and joined local prosecutors in shutting down illegal marijuana sales and in restricting pot-using motorists. These Attorney General-led reforms will help keep this drug off the street and out of the hands of our children.

## FIGHTING ASIAN CARP

Schuette leads a multi-state battle to stop the dangerous invasive species known as the Asian carp from entering the Great Lakes and devastating the fisheries, recreation and jobs that the Lakes support. He also is fighting for better regulation of ballast water discharges into the Lakes, another source of invasive species.

## FORECLOSURE FRAUD

At Schuette's urging, the Legislature created a \$97.2 million Homeowner Protection Fund to benefit communities, families and veterans who have been hurt by the mortgage foreclosure crisis. Schuette's pursuit of mortgage fraud scammers has resulted in 21 convictions and the ordering of restitution to victims of illegal schemes



# PUBLIC SAFETY

Taking repeat violent offenders off our streets would make Michigan safer.

In January 2012, Bill Schuette acted to take repeat violent offenders off our streets by introducing his VO-4 plan – Violent Offense-4th Felony – that would expand upon the state's existing habitual offender law. In September, the Legislature gave final approval to the plan, sending it to Gov. Snyder, who signed it into law Oct. 1.

Public safety is Priority Number One with Attorney General Bill Schuette. He came to office on that promise, built his administration around it and has delivered with an aggressive prosecution of crime and an intensified defense of crime victims.

Michigan's future hinges on this fight. With four cities among the 10 most dangerous cities in America according to FBI data, Michigan carries a crime burden that is heavy and shared statewide. Besides the injury to its victims, crime stands in the way of communities flourishing and the state growing as an attractive place to live, raise families and do business. As a former judge, Bill Schuette knows crime. As Attorney General, he has made a target of it. And he's brought all 21 divisions of his department into the battle.

VO-4 creates a minimum 25-year prison sentence for any criminal convicted of a serious violent crime examples are second degree murder, rape, armed robbery, kidnapping and carjacking – that becomes the offender's fourth felony conviction. At least one of the prior felonies must have been a violent assaultive crime.

The idea behind VO-4 is to break the cycle of crime by removing the most dangerous offenders from our streets. One such is Terry Bowling. In 2011, he was convicted of second degree murder and other crimes for his role in a home invasion that resulted in the killing of a Livonia police officer, Larry Nehasil, in the line of duty. At the time of Officer Nehasil's death, Bowling had six felony convictions. Under VO-4, he would have been locked up for up to 25 years after this fourth felony, for armed robbery, in 1999.

**VO-4 IS ENDORSED BY ALL MAJOR LAW ENFORCEMENT AGENCIES OF THE STATE.**



## SCHUETTE CALLS FOR 1,000 MORE COPS ON THE BEAT

The Attorney General's anti-crime offensive in the Legislature would add 1,000 officers to police forces statewide. Schuette points out that Michigan communities have lost 3,200 officers since 9/11, a decline that is measured in terms of heightened citizen fear and their diminished freedom to walk the streets in peace. Schuette proposed that the additional police be funded out of a 2011 budget surplus of some \$450 million.



## COLD CASE TEAM CRACKS KILLING OF WEST STATE WOMAN

April 1998, **Debra Boothby** of rural Van Buren County was brutally beaten, kidnapped, beaten again, dropped on a highway and deliberately run over by two cars. An initial trial resulted in conviction of one defendant and a hung jury for three others. Undaunted, Schuette in 2011 re-interviewed dozens of witnesses in the 13-year-old case.

After a five-week re-trial in June of 2011, a Van Buren County jury convicted the three defendants of first-degree felony murder.

All three, like the defendant convicted in the first trial, were sentenced to life in prison without possibility of parole.

Attorney General Schuette understands the passage of time does not diminish a family's need for justice.

# HUMAN TRAFFICKING

Ending Modern Day Slavery in Michigan.

Human trafficking is modern-day slavery, locking young girls and adult men and women into lives of prostitution and forced labor. Attorney General Bill Schuette has made a target of this practice, citing its terrible toll on Michigan citizens and its rapid growth here and across the country.

Using beatings, rape, debt bondage and other forms of physical, financial and legal abuse, human traffickers take control of their victims. Forty percent of cases involve the sexual exploitation of a child. A similar number of sex-related cases involve adults, while others center on farm, factory, restaurant, drug-running and domestic labor.

Schuette created the Human Trafficking Unit within the Department of Attorney General and in 2011 charged the very first cases to be prosecuted under Michigan's six-year-old human-trafficking law. In March 2012 came the first guilty verdict, Sedrick Leman-Isaac Mitchell of Detroit being convicted of enslaving two girls, aged 14 and 15, and forcing them into prostitution. In another case, five residents of the Detroit area were charged with running a human trafficking-prostitution operation known as the Detroit Pink. Four have pleaded guilty. Charges are pending against the fifth defendant.

Michigan's human trafficking law was strengthened in 2010, with the changes taking effect in April 2011. To put the law to work, Schuette created an in-house team of lawyers and experts in lawmaking and communications. Their job has been to expose and prosecute human trafficking in tandem with local, state and federal police agencies, to train police and prosecutors in the law, aid victims, raise public awareness and work with the Legislature in adding to the law as needed. The Attorney General

personally participated in the first training sessions for law enforcement.

Human trafficking reforms have passed the Senate and are pending in the House. They are parts of Schuette's "Making Michigan Safe" public safety initiative that the Legislature is acting upon in 2012. Schuette also is working with law enforcement colleagues across the country to craft a national strategy against human trafficking.

He is one of 10 attorneys general chosen to lead the National Association of Attorneys General Presidential Initiative on Combating Human Trafficking.

This is an aggressive charge against human enslavement. Well over a century after the 13<sup>th</sup> Amendment to the U.S. Constitution banned slavery, the continued prevalence of enslavement in a new form is an offense against fundamental American guarantees of liberty.

## JANUARY 2012, SCHUETTE PROPOSED LEGISLATION TO:

- ✓ Expand the protected age for children in law from 16 to 18;
- ✓ Increase the penalty for "johns" who solicit sex from a minor, aged 16 to 18, from a misdemeanor to a five-year felony.



# KEEPING DRUGS AWAY FROM KIDS

Closing loopholes in Michigan's Medical Marijuana Law



When Michigan voters four years ago decided to make marijuana legal for treating seriously ill people, they weren't saying they were OK with pot shops and drug farms surging into their neighborhoods and community shopping districts. Attorney General Schuette understands that difference and has been aggressive in expressing it to keep drugs out of the hands of our children and prevent a marijuana free-for-all.

In Ingham, Macomb, Wayne, Midland, Jackson, Isabella and other counties, Schuette has intervened on the side of local prosecutors to shut down illegal marijuana sales operations and close the certificate mills that churn out phony documentation for obtaining medical-marijuana. In Grand Traverse County, he joined with local authorities in successfully fighting in court to bar drivers with marijuana in their systems from operating motor vehicles. In Livonia, Grand Rapids, Traverse City and Saginaw, he provided special seminars for local officials on the state of the law and the ongoing struggles in the courts for clarity.

Vague wording in the 2008 medical-marijuana law remains a fundamental source of confusion, so Schuette has worked with lawmakers to block criminals from exploiting the law's loopholes.

In addition, Schuette sponsored four regional training seminars in 2011 for local government officials and law enforcement personnel. Over 450 attendees were provided comprehensive

training on Michigan's Medical Marijuana statute and the current issues confronting policy makers.

Schuette also is seeking a final court ruling that Michigan's Motor Vehicle Code prohibits driving a car if any amount of marijuana is in the driver's system. The Michigan State Police indicate that marijuana-related fatalities are the most common drug-related automobile fatalities and that those deaths are on the rise.

The medical-marijuana law was approved by voters wanting to help seriously ill people get relief from pain and other effects of their sicknesses. That well-intentioned reform has been hijacked by hundreds of criminal operators trying to turn Michigan into an open market for pot dealers. Schuette's fight to return the law to its medical purposes is a fight for public safety.

# STANDING WITH CRIME VICTIMS

Strengthening the victims' right to know.



Victims of crime throughout most of Michigan history occupied back seats in the state's law enforcement, judicial and corrections systems. They had few specific rights and even fewer opportunities to be informed and to be heard.

All that changed in 1985 with the Legislature's adoption of what is now known as the William Van Regenmorter Crime Victim Rights Act, which was reinforced with an amendment to the Michigan Constitution in 1988. Crime victims received specific rights including rights to be informed of court procedures, to be given restitution, to speak in court, to have reasonable protection from the accused during court processes, to be alerted to the defendant's release from custody or escape, and overall to be treated with fairness and respect for personal dignity and privacy.

Attorney General Bill Schuette came to office in 2011 with a commitment to elevate and strengthen the Crime Victim Rights Act and to work with law enforcement, the courts and victim organizations to build a stronger statewide support system for crime victims.

Schuette has delivered on this pledge with specific steps, including:

## **APPOINTING FIRST-EVER DIRECTOR OF CRIME VICTIM ADVOCACY**

In May 2011, Schuette created the position of Director of Crime Victim Advocacy in the Attorney General's Office and named the highly regarded John H. Lazet, for many years a top legislative chief of staff, to be the holder of the office, the first ever in Michigan state government.

The Director of Crime Victim Advocacy serves as a voice for crime victims, an information resource for crime victims and law enforcement, a watchdog over enforcement of the Crime Victim Rights Act, a coordinator of victim rights initiatives with law enforcement agencies and as an advocate for legislative changes in the act, as needed. Lazet also works closely with private and public organizations to raise awareness of crime victim rights and to support the groups' own efforts on behalf of crime victims.

## **STRENGTHENING THE CRIME VICTIMS' RIGHT TO KNOW**

As part of a sweeping public safety initiative now advancing in the Legislature, Schuette in 2012 proposed an expansion of crime victim rights to include:

- ✓ To be notified if the prisoner has applied for parole or commutation.
- ✓ To be given the result of a governor's commutation hearing.
- ✓ An opportunity to present exhibits at parole or commutation hearings.
- ✓ To be notified when a prisoner, including a parolee, has died.

# These Are Our Successes for Crime Victims

## NEW WEBSITE TO INFORM , ASSIST CRIME VICTIMS

To provide crime victims with specific, easy-to-locate information and assistance, the Attorney General's Office is creating a special website for crime victims within the Attorney General's home website, <[www.michigan.gov/ag](http://www.michigan.gov/ag)>

The comprehensive site will assist crime victims by spelling out their legal rights, procedures for reporting crimes, what to expect in the court system and at trial, and how they might obtain reimbursement for expenses or injuries resulting from a crime. The site also will offer help in preventing crime, advice on getting legal advice and filing civil claims and on obtaining a personal protection order. For victims seeking further assistance, the site will post directories for victim services, law enforcement agencies, county prosecuting attorneys and for the Michigan Coalition Against Domestic and Sexual Violence. The new website is expected to be online in 2013.

## SHIELDING CHILD SEX CRIME VICTIMS WHO TESTIFY IN COURT

In an amicus brief filed with the Michigan Supreme Court in June 2011, Schuette joined Allegan County Prosecutor Frederick Anderson's request and the trial court's decision to let an eight-year-old child rape victim testify in court behind a one-way screen between the witness stand and the table where the defendant was seated. The screen let everyone in the courtroom, including the defendant, see the child victim but protected her from the trauma of witnessing her accused rapist in court. "There is no constitutional right to stare down a child victim," said Schuette.

In *People v. Rose*, the Supreme Court in December 2011 sided with the position of Schuette and Prosecutor Anderson. At trial, the defendant was convicted of four counts of criminal sexual conduct in the first degree.

## WINS HIGH COURT RESTORATION OF CHILD-ABUSE CONVICTION

In February 2012, the U.S. Supreme Court in *Howes v. Fields* agreed with Michigan Attorney General Schuette in reinstating the conviction of a man whose sexual abuse victim was a 12-year-old child. The Michigan trial-court conviction had been reversed by a federal court after the man's attorneys argued that his confession to the sex crime was inadmissible because he was in the Lenawee County Jail at the time, for another offense, and was not given a Miranda warning. Attorney General Schuette, through Solicitor General John J. Bursch, convinced the Supreme Court that police investigators acted properly in questioning the suspect.



# These Are Our Successes for Crime Victims

## DENOUNCING HOLDING OF RAPE VICTIM NEAR TO ATTACKER

Upon learning in July 2011 that a Wayne County rape victim, in a matter separate from the rape charge, was being held in a jail cell next to her alleged attacker, Schuette issued a statement denouncing the placement. He cited crime victims' "right to be treated with fairness and respect for their dignity and privacy throughout the criminal justice process." The woman was released the next day.

## UNDERScores MICHIGAN'S TRUTH-IN-SENTENCING LAW

After a Midland man was murdered in June 2011, Attorney General Schuette noted that the accused killer had been convicted of 18 felony crimes and was out on parole at the time of the murder. Schuette said the man's record points up the danger of releasing dangerous criminals too early and why the Truth in Sentencing law, which assures victims that convicted individuals will serve at least their minimum sentences, must be preserved.

**Schuette has consistently opposed efforts to weaken the law.**

## WORKING TO IMPROVE SUPPORT FOR CRIME VICTIMS

Schuette has undertaken a direct outreach to victim advocates in the offices of each of Michigan's 83 county prosecutors, assisted in training of victim advocates and initiated a dialogue on common areas of concern, best practices and needed updates in law and policy.

- The Director of Crime Victim Advocacy has initiated ongoing meetings with organizations dedicated to helping crime victims. The groups include Parents of Murdered Children, Crime Stoppers and the Michigan Domestic Violence Prevention and Treatment Board. These meetings, 80 in the last year alone, have laid a foundation for relationships between the Attorney General's Office and crime victims. In addition, contacts he has developed with law enforcement agencies, legislators, media and crime prevention organizations are helping to build permanent awareness of crime victims and support for their attempts to be made whole. "Too often, the victims of crime are forgotten," said Schuette, "We are working to change that."
- The Attorney General is committed to an ongoing vigilance over the situation of crime victims across the state. Included are court rules and policies, state laws and administrative rules, and a search for best practices among state and local agencies to help shape proposals that will refine and clarify existing laws on victim rights and fill in gaps.

**"I am committed to making sure there is a voice for crime victims in our state."**

-Bill Schuette

# PROTECTING CHILDREN



## A.G. INCREASES CHILD SUPPORT COLLECTIONS

Attorney General Bill Schuette's first line of defense for Michigan's children is pursuit of parents who refuse to pay their court-ordered child support. **As of Sept. 30, 2012, the Child Support Division under Schuette's leadership accelerated the rate of collections, in 21 months bringing in almost \$30 million that provided a direct benefit to some 2,370 Michigan children.** In the eight years before Schuette took office, collections had totaled \$98.6 million. In addition to payments of amounts in arrears, the 2,370 children received assurance of a consistent flow of support dollars into the future.

Half of the dollars collected were from people who had left the state, sometimes for work but sometimes merely to flee their obligations. Wherever such people are, they are pursued. "If you have the ability to pay child support and refuse to fulfill that responsibility," said Schuette, "we will hold you accountable."

Often, the delinquent parent is motivated to pay by Michigan's threat of jail or prison time for non-payment. Michigan is the only state that makes non-payment of child support a felony crime punishable by up to four years in prison. **The goal of the Child Support Division is to restore support to children, not to add to the prison population.** "The threat of criminal prosecution can be a very strong motivator," said Schuette. "Our goal is to ensure parents resume regular, on-time payments that children can rely upon."

These are not penniless individuals. **The Child Support Division investigates parents in default and pursues only those who have the resources to pay but fail to do so.** In June 2012 alone, the Attorney General's Child Support Division conducted a one-day sweep in four Southeast Michigan counties that resulted in 10 arrests. In addition, coordination on six weekends with local police outside Michigan resulted in \$347,466 being collected from Michigan parents living in other states. The amount was 100 times the cost of the operation.

Many cases come to the attention of the Child Support Division through a form provided for custodial parents on the Attorney General's Office website. Others are referred to the Child Support Division by friend of court offices and county prosecutors.

**For every \$1 spent to operate the Child Support Division under Attorney General Schuette, \$5 to \$6 has been collected.** Besides the thousands of children benefiting from those recoveries, the taxpayers of Michigan also have been compensated. About 10 percent of all funds collected are returned to the State of Michigan, reimbursing the Treasury for emergency assistance funds paid to families during the time they were not receiving child support. In a typical 12-month period, that return to the state comes to about \$1.7 million.

## A.G. INCREASES CHILD SUPPORT COLLECTIONS

This record of enforcement of child-support orders and pursuit of non-payers has sent a message to people tempted to renege on their child-support obligations. If they have the ability to pay, they will be found and they will be forced to pay. The children of such individuals are owed that much, at least.

## CSI FOR CHILDREN'S INTERNET SAFETY

Attorney General Schuette has visited schools in West, Southeast and Mid-Michigan to introduce an updated version of the Michigan Cyber Safety Initiative (CSI), designed to teach children kindergarten through eighth grade how to spot and avoid dangers on the Internet.

The Attorney General's Office has presented the CSI in some 455 school districts since creating it in 2007. Specially trained professionals visit schools statewide to give age-appropriate information about safe and responsible use of the Internet.

### *Topics include:*

- How to recognize the common approach techniques of Internet predators;
- The dangers of revealing personal information via the Internet, social networking websites or on cell phones;
- The importance of telling parents about anything that is disturbing;
- Appropriate responses to cyberbullying;
- The Three Keeps:  
 Keep Safe by not sharing personal information;  
 Keep Away from Internet strangers,  
 Keep Telling parents or a trusted adult about anything that makes you uncomfortable

CSI also empowers students to think critically and make informed choices about how they communicate and to treat others with kindness in both the "real" and the "digital" worlds.

Schuette's revised CSI offers safety tips for eluding Internet predators and addresses the increased prevalence of cyberbullying and "sexting," which is the sending of sexually explicit photos via cell phones. A separate free seminar for parents, teachers and other adults covers how to access the Michigan Sex Offender Registry. The adult program also provides tools to help adults communicate with students about their digital footprints and gives guidance on how to recognize signs of cyberbullying. Schuette's office has conducted 136 such seminars statewide for 2,522 adults.



In its first 21 months,  
 the Schuette-led  
 Department of Attorney General  
 presented CSI **2,217** times  
 to **199,537** students





## PROTECTION IN THE HOME

Nowhere is a child in greater danger than in the home of an abusive parent or guardian. Bill Schuette's defense of those children is in the hands of his Child and Youth Services Division, **where the goal is to ensure that all children are safe in their homes and to reunify families whenever possible.** There are situations, however, where neglect and abuse are so severe that parents' rights to their own children must be terminated.

The child-protection work of the Attorney General is heart-rending. The children have been physically and sexually abused. They have broken bones, burns and head trauma. They have drug addictions, been kept out of school, been deprived of medical and emotional support. There are homicides.

In focusing on areas of greatest need, the division handles all child protection proceedings in Wayne County. In 2011:

- The division joined in 915 new child protection cases, involving 1,751 children. These were in addition to 410 cases, touching the lives of 704 children, that continued from the previous year.
- The new cases included 511 Attorney General petitions seeking termination of parental rights to 691 children.
- As of year's end, the division was responsible for 1,889 children who were temporary wards of courts and 1,110 children who were permanent wards of courts.

The Attorney General's child-protection attorneys also:

- Handle statewide training of social workers on child welfare; and
- Work with state courts to improve practices in protecting children from neglect and abuse.

## THE TRAUMA OF CHILD PORNOGRAPHY

Bill Schuette recognizes child pornography as an especially pernicious attack on youth. The memory of it never recedes, nor does the awareness that the pictures are on the Internet and computers forever. In such ways, child porn is a crime that never ends. For some victims, it is a life-long trauma.

Parts of his targeting of child porn are proposals to:

- Expand existing law on producing and distributing child pornography to include the making of new copies of child porn from the Internet; and
- Have the state or prosecutor maintain control of illegal pictures that are brought forward in a child-porn court action. This would prevent a defendant from having the child porn returned to him.



Citizens' faith in the integrity of their elected officials, law enforcement and public employees entrusted with their money is fundamental to our democracy. In the wake of the Kwame Kilpatrick scandals in Detroit City Hall and other public corruption cases, **Attorney General Bill Schuette formed the Public Integrity Unit to investigate and prosecute those who betray that trust.**

The unit works closely with local, state and federal law enforcement agencies in pursuit of crimes at all levels of Michigan government.

- Attorney General Schuette charged and convicted former Detroit mayoral employee Nneka Kafi Cheeks of nine felonies including for conducting a criminal enterprise and multiple counts of embezzlement over her running of the Manoogian Mansion Restoration Society. The society is a charity, created to restore and preserve the Detroit mayoral residence. Cheeks, a cousin of Mayor Kwame Kilpatrick, had access to the society's bank accounts while employed in the mayor's office. The 2011 judgment against Cheeks ordered that she pay a total \$138,866 in returned funds, interest and damages.
- Schuette convicted long-time River Rouge Councilman Anthony Laginess of accepting a \$5,000 bribe to switch his vote and support awarding a public contract for prescription drug insurance management to Adam Korejsza of the Manhattan Group. The Attorney General previously convicted Korejsza for his theft of over \$700,000 of taxpayer funds. Councilman Laginess was sentenced in October 2011 to a prison term of from 17 months to 10 years and Korejsza for six and one-half to 20 years.

## PUBLIC INTEGRITY

Fighting to restore the public's trust in government.



# “We live in a new Michigan where citizens demand accountability from public officials.”

-Bill Schuette

The integrity of law enforcement is critical to public safety. The public must trust police officers to report crime and believe them when they testify in court. Scofflaw police that abuse their oath to serve and protect must be held accountable.

- In February 2011, Attorney General Schuette charged Michigan State Police Lt. Luke Davis and Sgt. Emmanuel Riopelle, along with their co-conspirator Lawrence Dusseau, with 34 felonies. Though entrusted with property seized from criminals that was to be sold and the money returned to public purposes, they systematically embezzled cash, hot-tubs, SUVs, flat screen TVs, and designer purses, as well as taking seized narcotics and passing it out to friends.
- As part of the FBI Detroit Public Corruption Task Force, Schuette in 2012 convicted Flat Rock Police Sgt. Charles Sanders Jr. of two felonies for running a sport-betting operation while on duty. He took cash payouts in the stations and from his squad car for which he was sentenced to 12 months in the Wayne County jail.

Attorney General Schuette has aggressively acted to protect the public coffers. He has prosecuted managers and employees of the Department of Human Services, the Department of State and of various school systems who stole taxpayer money.

- Working with DHS Department Director Maura Corrigan, Schuette successfully prosecuted DHS Facilities Manager Brian Hengesbach, convicting him of four counts of embezzlement. Hengesbach was charged with ordering \$4,750 worth of carpeting, chairs and other items for his department, then taking them for his own use.
- The Attorney General convicted Conchithia Kelley of stealing \$19,000 in fees paid to the Secretary of State. As an employee, she had been entrusted with the funds.
- He convicted a Highland Park High School vice principal, Samuel Craig, of embezzling funds from a school union, the Highland Park Association of School Administrators. As part of Craig's sentence, Schuette made certain the court ordered that Craig restore to the union the stolen \$35,000.



## SCHUETTE PROSECUTES MCCOTTER STAFF IN ELECTION FRAUD

Schuette prosecuted and convicted three employees of former U. S. Congressman Thaddeus McCotter for election fraud. A fourth former staff member, Mary Melissa Turnbull, awaits trial in Oakland County Circuit Court for her role in this fraud. In an August 2012 filing, Schuette alleged that the four were involved in a deliberate fraud involving a pattern of copying and altering petitions in order to qualify the five-term congressman for the 2012 Michigan ballot.

The staff members are Don Yowchuang, Paul Seewald and Mary Melissa Turnbull. The former staff member is Lorianne O'Brady.

Yowchuang pleaded no contest to 16 counts, including 10 counts of election law forgery, a five-year felony. Seewald pleaded no contest to nine counts of falsely signing a nominating petition as circulator, a misdemeanor, and O'Brady was charged and pleaded no contest to five counts of falsely signing a nominating petition as circulator. She was sentenced to serve 20 days in jail or spend that time in a work program. She must also pay \$2,625 in fines and court costs. Turnbull must answer to two counts including conspiracy to commit a legal act in an illegal manner, a felony.

Yowchuang and Seewald faced one felony charge each but judge Margie Braxton who dismissed the felony conspiracy charges leveled against the two former staffers on January, 18, 2013. The Attorney General's office opposed the dismissal in court. After Judge Braxton's dismissal, the Attorney General's office filed a claim of appeal with the Michigan Court of Appeals.

## SCHUETTE COMBATS FRAUD AGAINST THE STATE



Attorney General Bill Schuette teamed up with the Michigan Unemployment Insurance Agency (UIA) to preserve state funds intended for the truly needy unemployed. Schuette investigated and convicted Jamaal Cann, Kellee Norfleet-Cann and Darnell Bailey for scamming the UIA of over \$100,000.

The three registered fake companies with the UIA and then, often without paying any insurance premiums, made bogus benefit claims for non-existent employees. The bogus employees of the businesses were a mixture of co-conspirators, innocent victims of identity theft and people in jail or prison, with three even serving life sentences. The businesses turned out to be vacant residential houses across Metro Detroit. After being in existence for at least two quarters, the "employees" used the UIA online system to claim that they had been laid off.

Defendant Cann was convicted of racketeering, a 20-year felony, and 17 counts of identity theft. Norfleet-Cann also was convicted of racketeering as well as false pretenses and possessing a fraudulent financial transaction device. Bailey was convicted of false pretenses and possessing a fraudulent financial transaction device. All three defendants were ordered to make full restitution to the state.

## NATIONAL LEADERSHIP IN WALL STREET FRAUD SUIT

The State of Michigan is the court-appointed lead plaintiff in a national securities fraud lawsuit against the Bear Stearns investment bank and Deloitte & Touche financial advisors. In June 2012, Attorney General Schuette and State Treasurer Andy Dillon announced that a tentative settlement will pay investors nationwide \$294.9 million.

The amount to be paid to the State of Michigan's pension funds remains to be determined. The settlement is meant to compensate the State of Michigan and other investors who were misled about the value and risks of Bear Stearns' mortgage-backed assets. Bear Stearns collapsed in 2008 as part of a financial meltdown in the Wall Street investment banking industry. The State of Michigan's retirement systems lost \$62 million. They hold funds and invest on behalf of Michigan public school teachers, state employees, State Police and Michigan judges.

Schuette said that "investment firms will be held accountable for reckless actions that caused Michigan taxpayers to lose millions of their hard-earned dollars. Violations of the public trust will not be tolerated."

# PROTECTING CONSUMERS

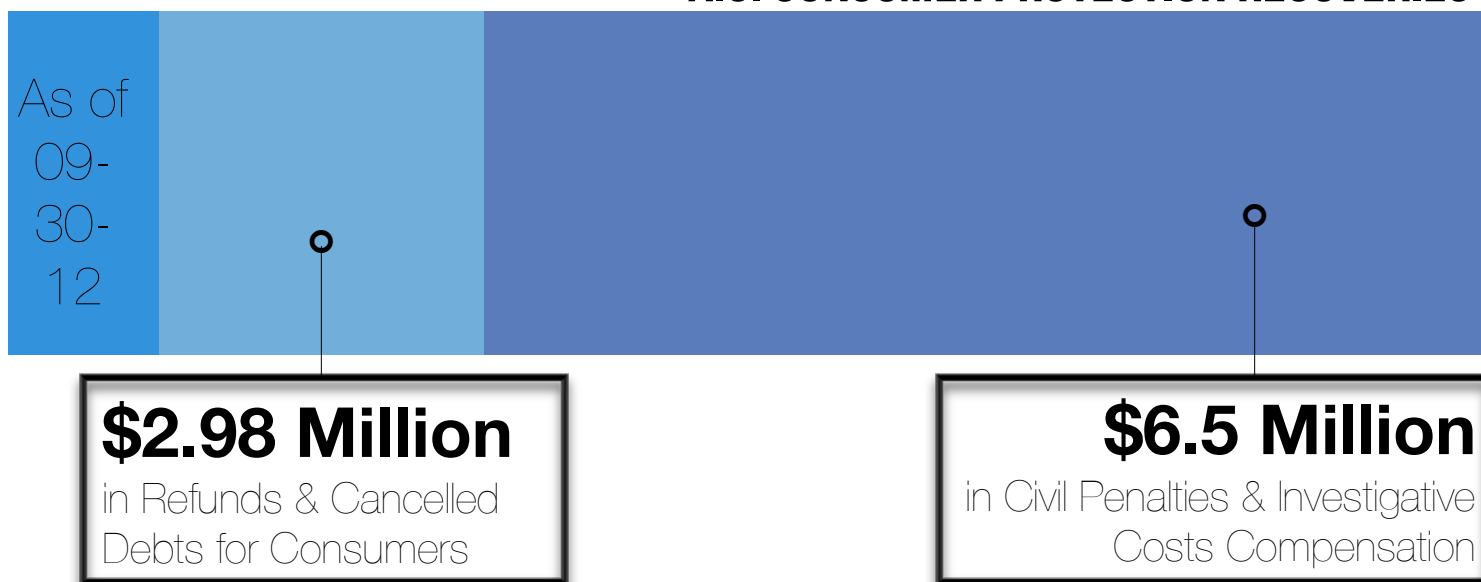


At the Department of Attorney General, consumer protection isn't just one program. It's one idea that runs through almost everything -- from fighting insurance fraud and price fixing to guarding against bogus charities and prosecuting home foreclosure scams.

In response to such rackets and threats of them, Schuette's **Consumer Protection Division** issues specific, detailed advisories to arm Michigan consumers against such risks as investment fraud, home repair cheats, mortgage settlement schemes, and scams that target grandparents, travelers and donors to charities. **Through September 30 under Schuette's leadership, the division won \$2.98 million in refunds and cancelled debts for consumers and collected \$6.5 million in civil penalties and compensation for state investigative costs.** The Consumer Protection Division also offered extensive outreach (consumer alerts, webinars and training) on retail pricing and consumer overcharge rights in the wake of the Legislature's 2011 repeal of item-pricing requirements in the Shopping Reform and Modernization Act.

The Attorney General's Office is the consumer's first line of defense against deceptive business practices, responding to nearly 21,600 written complaints filed with the Consumer Protection Division in the first 21 months of the Schuette administration and enforcing some 35 state statutes that protect consumers and charities. Other divisions within the Attorney General's Office oversee such other specific areas as health care and mortgage fraud, and utility and Blue Cross/Blue Shield rates.

## A.G. CONSUMER PROTECTION RECOVERIES





## LOOKING OUT FOR DONORS, CHARITIES

The Attorney General's Office annually licenses or registers about 7,000 charities and professional fundraisers that solicit from the public. **Attorney General Schuette aggressively investigates and acts where the department finds evidence that a charity has used false or deceptive practices – violations of the state's Solicitations Act -- in trying to get people to donate.** The basic rule for charitable fundraising in Michigan, Schuette has said, "is simple – be honest."

In September 2012, Schuette declared that a West Bloomfield man didn't meet that test. He charged Neil Thrasher with creating two fake charities, each using names that were nearly identical to those of two longstanding national groups that have assisted veterans for many years: the Disabled American Veterans and the Paralyzed Veterans of America.

According to the charges, Thrasher used the phony names to collect tens of thousands of dollars from unsuspecting donors via telephone solicitations, using the money for purchases at liquor stores, athletic clubs and restaurants. Thrasher pleaded no contest to the charges and, in November, was sentenced to spend 17 months to 10 years in prison. He also is to pay a combined \$74,400 to the Disabled American Veterans and the Paralyzed Veterans of America.

Schuette has noted that the words "Veteran" and "Veterans" appear in the names of 43 different charities registered with the Department of Attorney General. **To help consumers sort through such tangles, Schuette in 2012 established an online searchable database so that donors can see how many of their donated dollars actually reach their intended charitable purposes.**

The database is accessible at < [www.michigan.gov/agcharitysearch](http://www.michigan.gov/agcharitysearch) >

The website < [www.michigan.gov/agcharities](http://www.michigan.gov/agcharities) > provides information for people seeking to make wise choices about charities, tips on sifting legitimate from bogus fundraisers and procedures for fundraisers and charities to follow in obtaining state registration. **Under Schuette, the Department of Attorney General also has joined with Michigan nonprofit groups in publishing a joint consumer brochure on charitable giving entitled *Giving Wisely – Helping Michigan Citizens Be Savvy Donors*.** The brochure is available at [www.michigan.gov/agcharities](http://www.michigan.gov/agcharities)

## Schuette Fights Excessive E-Book Pricing

### ANTI-TRUST COMPLAINT FILED AGAINST APPLE, TWO PUBLISHERS

Court action filed in May 2012 by Attorney General Bill Schuette seeks penalties and damages on behalf of Michigan consumers to compensate for a price-fixing scheme by Apple Inc. and two of the nation's largest book publishers.

According to the complaint, Apple and publishers Penguin and Macmillan relied on contract terms to force all e-book outlets to use the same prices for best-selling books, basically eliminating market competition and forcing artificially high prices. Previously, bestsellers commonly carried lower prices. The overcharges nationwide were alleged to amount to more than \$100 million. The anti-trust complaint, by which Michigan joins 30 other state attorneys general in attacking the scheme, was filed in the federal court for the Southern District of New York.

"Whether you are selling apples or oranges," said Schuette, "price-fixing undermines the free market and sticks consumers with the bill." The Attorney General's Consumer Protection Division enforces the Michigan Antitrust Reform Act, which prohibits price-fixing agreements because they undermine the competitive marketplace and force higher consumer prices. The trial for the case is scheduled for June 2013.



# Fighting to Protect Michigan Families, Businesses from Excessive Energy Costs



## WORKING FOR REASONABLE RATES FOR ELECTRIC & GAS RATEPAYERS

Since taking office, Attorney General Schuette has been active on two fronts fighting to ensure that Michigan's citizens and businesses aren't saddled with excessive energy costs.

Since January 2011, Schuette's Special Litigation Unit has appeared in more than three dozen cases and helped to prevent over half a billion dollars in potential rate increases for homeowners and businesses. Continuing a long tradition of advocacy by the Attorney General's Office, Schuette represents the interests of electric and gas ratepayers in all rate cases filed by the major utilities before the Michigan Public Service Commission (PSC).

Along with other advocacy groups, the Attorney General's participation has resulted in significant reductions in rate increases sought by the utilities. Two such cases are:

- In 2011, the Attorney General intervened in a case involving Detroit Edison's customers where the utility was asking for a \$443 million rate increase. **The Commission ultimately reduced that request by \$238 million.**
- The Attorney General's participation in a 2012 case involving a request by Consumers Energy to increase rates by \$195 million **helped to reduce that rate increase by \$75 million.**

Also, in *ABATE v Detroit Edison Co and Attorney General v Detroit Edison Co*, the Attorney General successfully argued that the PSC failed to adequately justify a plan to require ratepayers to pay over \$30 million for installation of "smart meters."

## GUARDING JOBS, ELECTRICITY CONSUMERS AGAINST EXCESSIVE EPA RULES



The federal rule, issued by the Environmental Protection Agency (EPA), requires electricity utilities to install expensive equipment to meet stringent new EPA air-quality standards. Power plants unable to afford the equipment or otherwise meet the standards would have to shut down. Attorney General Schuette took the lead in a multi-state initiative seeking to prevent implementation of a federal rule that would endanger Michigan jobs and affordable electricity rates.

Schuette first filed an amicus brief with the U.S. District Court for the District of Columbia, joined by a total of 25 states and the U.S. Territory of Guam asking for the court to delay implementation of the rule until the EPA had fully considered the economic implications. When the court would not delay EPA's implementation, Schuette led 24 states in filing a challenge to the rule in the D.C. Circuit Court of Appeals.

**Schuette argued that this EPA mandate and other new federal air rules threaten tens of thousands of Michigan jobs, create reliability risks and could sharply push up electricity rates for Michigan consumers. A court decision has not been issued.**

In a second case, Schuette in October 2011 fought for a federal appeals court's rejection of the EPA's new Cross-State Air Pollution Rule as exceeding the EPA's authority and an intrusion on states' opportunity to first write their own plans to meet the federal standards. Schuette argued that some Michigan power plants could not reasonably comply with the cross-state rule. In August 2012, the federal rule was rejected by the U.S. Court of Court of Appeals for the District of Columbia.

# VIGILANCE ON BEHALF OF SENIORS

Michigan's population of over-65 residents, some 14 percent of the state total, is more than 1.3 million and on the way to a doubling of that number by 2030. A burden falls on state leaders to be vigilant on behalf of the elderly now, to insure that safeguards are in place for the future and to provide seniors with information and services for their own use in managing their lives.

## **'SENIOR BRIGADE' FOR INFORMATION, ADVICE, HELP**

With the Attorney General's Senior Brigade, Michigan's seniors have a helping hand in dealing with dozens of critical needs and threats to their wallets and well-being. And they haven't far to look for it. Bill Schuette's Senior Brigade has presented 592 free seminars around the state to assist seniors and caregivers with questions about such matters as residential care choices, home repair, identity theft, investment decisions and online safety, as well as solicitations and the many schemes and tricks that prey upon the elderly.

Consumer rights and retailer obligations under the Legislature's repeal of the item-pricing law also are discussed in each seminar. Since Schuette took office in January 2011, 5,602 people have turned out for 250 seminars on phone and mail scams; another 3,235 for 122 programs on identity theft. In all, 12,793 people have been on hand for Senior Brigade seminars made possible by Schuette's Consumer Protection Division. In addition to the free seminars, the Senior Brigade provides a full menu of information on the website [www.Michigan.gov/seniorbrigade](http://www.Michigan.gov/seniorbrigade). Included are calendars with community and statewide recreational activities for seniors and contact numbers for state and federal programs to benefit and further inform Michigan's elderly. The website and the toll-free phone number 877-765-8388 are available for individuals to schedule Senior Brigade seminars, presented at senior centers and other venues or through community groups around Michigan. The division also provides a monthly update on consumer protection issues impacting seniors.

In such ways, Attorney General Schuette's Senior Brigade offers a wealth of trustworthy information and advice to Michigan's most vulnerable citizens, guiding them in their day-to-day living.

## **ENHANCED PROTECTIONS FOR THE ELDERLY**

In June 2012, Gov. Snyder signed into law a 10-bill legislative package that provides enhanced protections and rights to Michigan's elderly population. This package was put together by a broad coalition of advocacy groups with input from Attorney General Schuette. Representatives of the Attorney General testified in various legislative committees in favor of these improvements to Michigan law, which now include:

- Allowing vulnerable adult crime victims to testify in court via closed-circuit television or pre-recorded video;
- Greater penalties for financial exploitation of a vulnerable adult; and,
- Creation of special investigative teams to investigate the unexpected death of a vulnerable adult under suspicious circumstances.

# Defending Our Most Vulnerable Adults

## SCHUETTE SHIELDS SENIORS IN NURSING HOMES

Attorney General Bill Schuette maintains a partnership with the U.S. Social Security Administration, the U.S. Department of Treasury, AARP, the Michigan Association of Homes and Services for the Aging, and the Health Care Association of Michigan, in support of Project \$CAMS (Stop Crimes Against Michigan Seniors), **a statewide criminal enforcement initiative to protect residents of nursing homes from financial exploitation.**

Financial exploitation of senior citizens is one of the fastest growing crimes in America. As many as 5,000,000 seniors are victimized annually. The problem is compounded by the fact that only 1-in-100 instances of victimization typically is reported and a majority of perpetrators of financial abuse are family members or caregivers.

**Project \$CAMS covers all of Michigan's approximately 420 nursing homes, a population of more than 40,000 residents.** Prior to the creation of Project \$CAMS, only 44 cases of financial abuse against nursing home residents had been filed since 2003. Since the project began in 2008, over 60 additional cases have been filed. In almost every case the perpetrator was a relative.

## A.G. CHARGES TWO IN SCHEME TARGETING ELDERLY

Two men await trial in Grand Haven on charges brought by Attorney General Schuette that they ran a huge Ponzi scheme that targeted elderly investors in West Michigan. According to Schuette, over a six-year period at least 140 people were bilked out of some \$9 million in the scam, one of the largest Ponzi operations in Michigan history.

Schuette arrested the two Kent County men in March 2012 following a joint investigation by the Attorney General and the state's Office of Financial and Insurance Regulation. The two men operated under the name API World Holdings, LLC, allegedly promising high returns on money invested in the company but never delivering anything for the investors.

The men preyed on victims by tracking maturation dates on certificates of deposits, then persuading the victims that they should cash in the CDs and invest the money in API World Holdings. Victims lost from \$3,000 to \$600,000, which in some cases amounted to life savings.

At the time of the arrests, Schuette issued an advisory to all consumers, providing tips on avoiding investment fraud schemes.

## Blues Savings for Seniors

Michigan law gives the Attorney General power to represent the public in overseeing rate changes proposed by Blue Cross and Blue Shield of Michigan. Attorney General Bill Schuette has used that authority in being vigilant over the Blues and in specific challenges to unjustified rate increases proposed for seniors and other subscribers.

### SCHUETTE WINS 5-YEAR FREEZE ON BLUES' MEDIGAP RATES

Schuette preserved up to \$1 billion in annual insurance subsidies and won historic security for seniors via a **five-year freeze on Blue Cross and Blue Shield's Medigap rates.**

Medigap insurance fills in health-care cost gaps not paid by Medicare. State law requires the Blues to offer the coverage at a subsidized rate as part of its non-profit, non-taxable status. The subsidy has been in place since 1980. **The freeze announced by Schuette in December 2011 maintains the subsidy and keeps Medigap rates unchanged through July 31, 2016. That protection achieved for seniors is historic. No other such freeze has occurred in recent memory.** Freezes in the public utility field have extended to three years at most.

The freeze was part of a Blues agreement with the Attorney General in which Schuette agreed not to legally contest the company's proposed purchase of an ownership share in a Pennsylvania-based managed care company, AmeriHealth Mercy. Schuette's decision, safeguarding ratepayers as well as the stability of the Blues, came after his office's review of all relevant documents filed with state and federal regulators on the investment, independent valuation opinions of AmeriHealth Mercy and documents related to its governance.

### MEDIGAP RATE SETTLEMENT SHIELDS 215,000 SENIORS

Some 215,000 Michigan seniors were saved \$36 million in insurance costs via a settlement negotiated in June 2011 by Schuette, Blue Cross and Blue Shield, and the state Office of Financial and Insurance Regulation.

The Blues were seeking rate increases of from 21 to 94 percent, amounting to a maximum jump of from \$111 to \$215 per month, for seniors purchasing Medigap supplemental health insurance. The proposal made use of a sliding scale pegged to subscribers' income, whether they had a federal Health Reimbursement Account and whether they received support from non-insurance sources such as friends, a cancer or heart society or other group.

The Attorney General's court intervention forced hearings on the lawfulness of the sliding scale concept and the affordability of the increases for seniors. The eventual agreement eliminated the sliding scale and allowed an overall rate increase of only 9 percent for Medigap seniors.

### BLUES ACCORD SAVES \$60 MILLION FOR SUBSCRIBERS

**In February 2011, \$60 million in savings was won for consumers through a rate agreement negotiated by Schuette, the Blues and the state Office of Financial and Insurance Regulation.**

Blue Cross and Blue Shield requested rate hikes of from 7.8 to 21.3 percent for subscribers who buy their own insurance, those who buy coverage after losing a job that provided coverage and people who purchase age-related high deductible plans. The negotiated settlement puts the increases at 7 to 9.3 percent. Peak dollar-cost increases under the agreement were \$30 per month, down from the \$69 sought by the Blues. **Total annual savings won by Schuette for Blues consumers, including Medigap savings for seniors, come to almost \$100 million.**

## A.G. Warns of Proposed Blues Changes

Warning that Michigan seniors and other vulnerable citizens would see higher health insurance costs under proposed Blue Cross-Blue Shield reforms, Attorney General Schuette called for a cost analysis of the changes before the Legislature acts.

The new proposed structure of Blue Cross Blue Shield of Michigan, announced in September 2012, would have the Blues operate like a for-profit health insurer. So for the first time ever, the company could:

- Raise rates without approval by the state insurance commissioner or Attorney General rate hearings;
- Eliminate the subsidy that keeps Medigap rates affordable for more than 200,000 senior citizens;
- Charge customers more due to their location in the state; and
- Expand beyond health-care insurance.

In testimony before the Senate Insurance Committee on Sept. 27, Schuette said the proposed reshaping of the Blues would “have significant ramifications for millions of Michigan citizens. ... We must take the time to do this right, to ensure the people of Michigan get a fair deal and our most vulnerable are protected.”

**This would be a radical change, with the Blues shedding all of the public responsibilities that go with their current status in state law as an untaxed “charitable and benevolent institution.”** Among their special services is that they accept all insurance applicants, regardless of medical history. Schuette has pointed out that the Blues also hold 70 percent of the Michigan health-insurance market, raising a serious competitive issue, and they have a \$3 billion reserve fund which belongs to the people of the state.

For such reasons, Schuette has urged that the Legislature not act on the proposal without undertaking a thorough study of the implications, beginning with the effects on Michigan’s consumer health care costs, particularly as those costs pertain to senior citizens and other vulnerable policy-holders.

Addressing the House Insurance Committee on November 19, he warned of specific risks to Michigan seniors under the proposed legislation. **Seniors could face a “senior cliff” and rate increases of 66 percent on July 31, 2016, the expiration date of a five-year rate freeze he negotiated with the Blues in 2011.**

## SCHUETTE TRIPLES RATE OF MEDICAID RECOVERY

Every dollar of Medicaid that is lost to fraud is a dollar that could have helped those who need help the most. Attorney General Schuette’s team, in its first 18 months, recovered \$44,718,881 – an amount that is more than triple the average for an 18-month period in the Department of Attorney General since 1978.

Schuette also aggressively pursued drug companies who either fraudulently bill the State of Michigan or put consumers at risk by misbranding or unlawfully marketing drugs. Because of Schuette’s efforts, Michigan has recovered more than \$39 million from some of the largest drug manufacturers in the country, including Merck, GlaxoSmithKline and McKesson.

Individual cases alleged conduct such as:

- False price reporting;
- Failing to report safety data;
- Publishing misleading articles in medical journals;
- Marketing drugs for purposes other than that approved by the FDA and without disclosure of safety factors; and
- Paying kickbacks to encourage doctors to prescribe drugs for unapproved uses.

## *Schuette Recovers \$22.8M in Largest Healthcare Fraud Settlement in U.S. History*

Attorney General Bill Schuette, along with the federal government and other states, entered into a settlement with pharmaceutical giant GlaxoSmithKline (GSK) to resolve the company's liability for false price reporting, illegal marketing of certain drugs and failing to report safety data. GSK will pay criminal penalties and civil fines amounting to \$3 billion. **Michigan's share of the settlement is a record \$22,799,123 in federal/state Medicaid recovery and civil penalties.**

GSK was accused of promoting pediatric use of anti-depressants not approved for use by patients under the age of 18, publishing misleading medical journal articles, promoting anti-depressant drugs for weight loss and paying kickbacks to encourage doctors to prescribe drugs for unapproved uses.

The settlement sends a strong message that the Michigan and other government health programs will not permit drug makers to jeopardize patients' health and exploit Medicaid funds to increase profits.

### **DRUG WHOLESALER PAYS \$8.26 MILLION TO REIMBURSE MICHIGAN MEDICAID**

Attorney General Schuette recovered \$8,264,570 million in Medicaid restitution from McKesson Corporation, the largest wholesaler and distributor of prescription drugs in the United States, to reimburse Medicaid for over-billing.

The settlement is part of a 30-state settlement that resolves claims that McKesson knowingly reported inflated pricing data for more than 1,400 brand-name prescription medications to First Data Bank, which publishes prices used in setting payment rates for Medicaid drugs. The federal government recovered an additional \$7.13 million to reimburse a portion of the federal share paid for overpriced drugs provided to Michigan Medicaid beneficiaries.

The false claims and overpayments arose because inflated Average Wholesale Price (AWP) data was reported. The states, including Michigan, use AWP as the benchmark for setting reimbursement amounts for pharmacies providing drugs to Medicaid beneficiaries. The Attorney General pursued McKesson in a state court action and through the multi-state action to recover Medicaid overpayments.



## **SCHUETTE CONVICTS CLINIC OPERATOR IN MULTI-MILLION DOLLAR FRAUD SCHEME**

At the conclusion of a jury trial on October 3, 2011, Attorney General Bill Schuette's Health Care Fraud Division convicted former Palmer Health Center medical director Deborah D'Anna of 25 counts of Medicaid fraud and one count of racketeering for her role in perpetrating a \$3.3 million Medicaid fraud. DeAnna submitted thousands of fraudulent Medicaid claims to the state, collecting millions of taxpayer dollars to finance a lavish lifestyle in Florida.

Under the scheme, D'Anna used her access to Palmer Park Medical Center records to bill Michigan Medicaid for millions in services never actually rendered by its clinics, which had ceased operation in 2005. Until 2005, Palmer Health Center had been a legitimate medical clinic which employed doctors to provide medical services to Medicaid beneficiaries, including children in the juvenile system. D'Anna previously served as the Center's CEO and office manager.

In 2006, after the clinic had shut its doors, D'Anna maintained the list of Provider Identification Numbers (PINs) for two doctors who had been employed at the clinic and a list of Medicaid beneficiaries that the clinic had formerly treated. The doctors' PINs and the Medicaid beneficiary information allowed D'Anna to continue to submit fraudulent Medicaid claims on behalf of Palmer Health Center as if the clinic were still functioning.

From 2006 to 2009, D'Anna submitted approximately \$3.3 million in fraudulent claims for Medicaid services and collected the payments in her personal bank accounts. D'Anna spent millions in taxpayer dollars to finance her lifestyle in Florida, using the stolen money to purchase a luxurious home for cash, undeveloped land, a Cadillac Escalade and a Mercedes sedan, as well as jewelry and other merchandise. The scheme was uncovered when one of the physicians previously employed by Palmer Park Medical Center reported Medicaid billings being submitted under his PIN for services he did not provide.

D'Anna presently is serving a prison sentence with an earliest release date of September 2015.

## **QUICK ACTION AGAINST DRUG SUPPLIER IN MICHIGAN MENINGITIS OUTBREAK**

Days after a Michigan meningitis outbreak was traced to a Massachusetts drug manufacturer, Attorney General Schuette on Oct. 12, 2012, joined Gov. Rick Snyder in obtaining an immediate suspension of the firm's Michigan pharmacy license.

The Michigan outbreak, in which nine have died and 164 people have been sickened, is part of a nationwide rash of fungal meningitis cases, all linked to contaminated steroids made by the New England Compounding Center (NECC) of Framingham, Mass. Schuette's action alleges that the company shipped the drugs into Michigan in bulk without the proper license for such distribution. The firm is licensed only to fill individual prescriptions for Michigan residents. Suspension of its pharmacy license forced the NECC to cease all operations in Michigan.

Four Michigan hospitals and clinics are known to have administered the drug to some 1,900 people. Nationwide, as of Nov. 19, 490 people were infected and 34 have died.

Schuette also announced that he is joining with Michigan health and licensing authorities to determine if further legal steps should be taken against the New England Compounding Center.

"Michigan citizens demand that drug manufacturers follow the laws designed to keep consumers safe," said Schuette. "We will take every step necessary to restore public safety and welfare."

# HELP FOR HOMEOWNERS



Countless Michigan residents caught in the mortgage foreclosure crisis are better off in 2012 due to Attorney General Schuette's part in a multi-billion dollar settlement with mortgage servicers, his prosecution of foreclosure scam artists and reforms he has supported in the Legislature. While the combination doesn't erase the pain of mortgage foreclosure, it has brought relief to many who have been hurt and has helped to preserve the Michigan dream of home ownership.

## ESTABLISHING THE HOMEOWNER PROTECTION FUND

Attorney General Schuette in February 2012 participated in a joint federal-state national settlement with five of the country's largest banks/mortgage servicers in response to foreclosure abuses and shoddy servicing of mortgages. Michigan homeowners and communities were hard hit by such practices. Michigan residents will receive an estimated half-billion dollars as a result of the settlement, with \$97.2 million going directly to the state.

Schuette called for creation of a Homeowner Protection Fund to be funded with the \$97.2 million and used to benefit Michigan communities, families and veterans who had been injured by the foreclosure crisis. The Fund was established by the Legislature in July and signed into law by Gov. Snyder. Specific programs to be funded include:

- Foreclosure counseling for homeowners seeking to avoid foreclosure;
- Increased investigation and prosecution by the Attorney General of foreclosure-related crimes;
- Assistance for military veterans who have been affected by abusive mortgage servicing and foreclosure practices;
- Blight elimination, mainly demolition of abandoned houses in cities statewide;
- Restitution to residents who were victims of scam artists pretending to provide foreclosure relief; and
- Grants to help homeowners pay closing costs associated with refinancing of their homes.

## SCHUETTE TEAM TARGETS FORECLOSURE SCAMS

In 2010, according to the FBI's Mortgage Fraud Report of that year, Michigan was among the top 10 states with significant mortgage fraud problems. Attorney General Schuette's pursuit of foreclosure-rescue scam operations has resulted in 21 convictions of companies and individuals and an awarding of restitution to victims of such scams. Some of the convictions brought prison sentences.

- Schuette also has issued consumer advisories, giving people information they can use to identify mortgage fraud artists and to protect themselves. A special bulletin went out to military personnel, advising them about legal protections available to them under state and federal laws.

## Help for Homeowners

Mortgage fraud schemes prey upon people who are tumbling toward foreclosure and are desperate for ways to save themselves and their homes. The scammers dupe the homeowners into paying for help that is never delivered. In three such cases:

- In May 2012, Schuette brought racketeering charges against a Westland man for his part in a wide-ranging foreclosure-rescue scam that swindled at least 360 people. The man, Rickey White, and his company were accused of collecting upfront money from victims, promising that White's attorneys would help the victims obtain mortgage loan modifications, including filing paperwork with lenders. The Attorney General's investigation revealed that White had no attorneys on staff and that loan modification proposals were incomplete or never submitted to banks. White and his company in July pleaded guilty as charged to racketeering and two other felony charges.

In October, he was sentenced to a prison term of from 23 to 40 years and was ordered to pay \$283,245 in restitution to the 148 victims who have been identified and confirmed so far.

- In September 2012, a Holly woman was sentenced in Grand Traverse County to 10 to 20 years in prison for running a fraudulent foreclosure-rescue operation that took more than \$250,000 from at least 60 people across the state. Tashia Winstanley also was ordered to pay \$243,474 in restitution. In August, Winstanley pleaded guilty to three felony charges of taking upfront fees while impersonating a mortgage modification company. Winstanley collected the fees with the promise that she would secure better loan terms. She didn't, and used the money she received to support her shopping and drug habits. Victims were in Grand Traverse, Leelanau, Kalkaska, Roscommon, Genesee, Oakland, Benzie and Macomb counties.
- A Lansing couple facing possible loss of their home to foreclosure was contacted by U.S. mail and persuaded to sign over their home to a purchaser who purportedly would sell it back to them on a land contract. Although the couple made the land contract payments, the supposed purchaser stopped making mortgage payments. The house fell into foreclosure and the couple lost their home. The two people who set up the scam, Joella Britton and Nicole Otis were charged in 2011. Britton was tried and convicted and in October 2012, was sentenced to five years on probation, with the first year in jail, and was ordered to pay restitution of \$32,000. Otis plead guilty and in September 2012 was sentenced to six months on probation, and was ordered to do community service and pay fines of \$735.

Schuette also has supported bills in the Legislature clarifying the crime of mortgage fraud, increasing penalties, expanding rights for victims of mortgage fraud and extending time limits for prosecuting crimes involving property transactions. Eight of the bills are now law.

# FIGHTING ASIAN CARP

Protecting Michigan's greatest treasure.



Attorney General Schuette's highest environmental priority is protecting the Great Lakes. The Great Lakes contain approximately 20 percent of the world's fresh water and 95 percent of all the fresh water in the United States. Michigan is the only state located entirely within the Great Lakes water basin. The Lakes and their unique and abundant resources are central to our environment and vital to our way of life and economy. Bill Schuette continues to defend the Lakes in court while also advancing on a new front: leading a multi-state alliance to force federal action

## THE INVASIVE SPECIES ENEMY

Aquatic invasive species are among the greatest threats to the Great Lakes. These non-native species, such as the notorious zebra and quagga mussels, are an especially harmful kind of pollution. They reproduce themselves and can rapidly spread in an environment where they have no natural predators.

As these biological invaders multiply, they throw the ecosystem out of balance, disrupting the web of plant and animal life needed to sustain existing fish populations and triggering various other harmful effects ranging from fouled beaches to clogged water intakes.

### Attorney General Schuette is fighting invasive species on three main fronts:

- Moving to block the spread of Asian carp through the Chicago Area Waterway into the Great Lakes;
- Pushing for more effective regulation of ballast water discharges from ocean-going vessels that are responsible for most of the invasive species already established in the Lakes; and
- Punishing those who try to import prohibited species into Michigan.

## LEADING STATES TO STOP ASIAN CARP

Asian carp pose the most urgent invasive threat to the Great Lakes. "Asian carp" includes four species of fish (bighead, silver, grass and black carp) imported to the southern United States in the 1970s. Bighead and silver carp rapidly spread up the Mississippi River basin, devouring the food supply of native fish and in the case of silver carp, leaping into the air, endangering boaters.

By 2009, these Asian carp had reached the Chicago Area Waterway that artificially connects the river basin to Lake Michigan. If these aggressive fish enter and become established in the Great Lakes, they could devastate the existing fish populations, causing severe damage to the multi-billion-dollar sport and commercial fisheries and disrupt recreational boating and tourism.

In December 2009, when the federal government failed to take decisive action to block the movement of Asian carp through the Waterway, the State of Michigan, joined by four other Great Lakes states brought suit in the U.S. Supreme Court against the U.S. Army Corps of Engineers and the Metropolitan Water Reclamation District of Greater Chicago, seeking to force both immediate and long-term actions to separate the Great Lakes from Illinois waters infested with Asian carp, including temporary closure of Chicago-area locks.

After the Supreme Court declined to hear the case, Michigan, joined by Minnesota, Ohio, Pennsylvania, and Wisconsin, filed a second lawsuit in the U.S. District Court for the Northern District of Illinois, again demanding that the Corps, as well as the Water District, immediately block all possible carp pathways at Chicago to the Great Lakes, and act more quickly to address long-term solutions. The District Court denied the states' request for preliminary injunction (immediate relief) in December, 2010. This lawsuit remains pending.

## LEADING STATES TO STOP ASIAN CARP

As soon as he took office in January 2011, Schuette reached out to Michigan conservation leaders including the Michigan United Conservation Clubs, the Nature Conservancy and the National Wildlife Federation, to build a united front and confer on the best strategies for keeping Asian carp out of the Great Lakes. He publicly renewed Michigan's commitment to block the threatened Asian carp invasion and has implemented a multi-pronged effort using all available tools, including litigation, advocacy, and legislation. The goal is to secure, as soon as possible, the permanent, physical separation of the Mississippi River and the Great Lakes basins, to cut off the movement of Asian carp.

Schuette has led the continuing, joint effort of five Great Lakes states in court to secure both immediate measures and the permanent solution. This includes:

- Appealing to the U.S. Seventh Court of Appeals the District Court's 2010 rejection of the states' request for an order to close locks in the Chicago Area Waterway and take other steps to block the carp's movement into the Lakes;
- Then urging the U.S. Supreme Court to review the Court of Appeals' August 2011 decision to uphold the 2010 District Court ruling; and
- Continuing the original lawsuit in District Court to obtain a permanent solution, which remains pending.

## ADVANCING A MULTI-STATE STRATEGY

Attorney General Schuette personally urged the U.S. Army Corps of Engineers, at a 2011 meeting in Traverse City, to expedite a congressionally mandated study of options for preventing the advance of invasive species, the so-called Great Lakes Mississippi River Interbasin Study (GLMRIS).

Schuette reached out to the attorneys general of other states, both in and outside the Great Lakes basin, to build a broad, national coalition to fight the spread of all invasive species -- in either direction -- through the Chicago Area Waterway. In September 2011, the attorneys general of 16 other states joined Schuette in a letter urging Congress to enact legislation based on the proposed Stop Asian Carp Act that would force the Corps to expedite the GLMRIS. The act requires the Corps to submit to Congress, within 90 days of passage, a progress report on an action plan for stopping the Asian carp, with the full plan due in 2013.

At the November, 2011 meeting of the National Association of Attorneys General, Schuette led a panel on invasive species, to build further national support for halting the spread of Asian carp and other invasives.

These efforts to build support for congressional action helped to lay the foundation for the passage, in July 2012, of the key provisions of the Stop Asian Carp Act.

## BATTLING THE BALLAST WATER THREAT

Most of the aquatic invasive species that have entered the Great Lakes, such as zebra and quagga mussels, got here through discharges of ballast water from ocean-going ships. They have severely disrupted the Great Lakes' ecosystem and imposed huge economic costs on Michigan's citizens and businesses.

Because the federal government failed to regulate and require treatment of those discharges to prevent the release of invasive species, Michigan and other states successfully sued the EPA to force it to adopt standards under the Clean Water Act. When the EPA finally acted in 2009, its regulation –called a Vessel General Permit (VGP) – was not sufficient, so Michigan again sued the EPA in the U.S. Court of Appeals.

In March 2011, Schuette reached a settlement of that second lawsuit with the EPA under which the federal agency agreed to consider stronger requirements based on scientific reviews and to speed up the development of a new VGP.

In a related case, *Lake Carriers Association v EPA*, Schuette and the New York attorney general filed a friend of the court brief in the U.S. Court of Appeals opposing arguments by shipping companies that the EPA should not incorporate state water quality standards in its VGP. In July 2011, the Court of Appeals ruled in favor of the states' position.

## PUNISHING IMPORTERS OF PROHIBITED SPECIES

Michigan law prohibits the possession or sale of all four species of Asian carp, including grass carp. In May 2012, investigators for the Michigan Department of Natural Resources arrested an Arkansas man who was selling live grass carp from his truck in Midland. David Costner, who is an employee of an Arkansas-based fish supplier, at the time had 110 grass carp in his truck. Sale of grass carp has been illegal in Michigan for decades because the fish eats weeds on the bottom of lakes, destroying habitats for native fish.

Attorney General Schuette's Criminal Division prosecuted the case and in September obtained Costner's guilty pleas to 12 felony counts of possessing and selling live Asian carp, a violation of state law protecting against the spread of invasive species. Costner illegally transported the fish to Michigan and was selling them for cash to customers at the various locations where he stopped. Prior to his arrest by undercover officers, Costner said, "If I get caught with these fish, I'm going to prison." Costner was sentenced in November to 5 months in the Midland County Jail by Judge Jonathan Lauderbach in Midland's 42<sup>nd</sup> Circuit Court. He was also assessed a crime victims fee of \$130, court costs of \$750, State fees of \$816, and a fine of \$2,000.

Schuette said that "once destructive Asian carp enter our waterways, the damage cannot be undone. We must remain vigilant and use every tool available to protect Michigan's tourism and sport-fishing industries from this dangerous threat."





# LEADERSHIP

for the Constitution, Religious Liberty and Consumers.



## SCHUETTE OPPOSES OBAMACARE'S ORDER TO RELIGIOUS ORGANIZATIONS

Attorney General Schuette in February 2012 took a lead in organizing a multi-state lawsuit to block the Affordable Care Act "Obamacare" rule that forces religious organizations to provide health-insurance benefits that are in violation of their religious beliefs. Schuette's office coordinated the drafting and filing of the multi-state brief.

Obamacare stipulates what employers must include in their health-care plans if they are to avoid steep government fines. Schuette argued that the Obamacare rule is an unconstitutional abuse of the religious rights of faith-based schools, colleges, charities, hospitals, other non-profit organizations and employers. The Michigan-led multi-state lawsuit is in support of three lawsuits previously filed in federal court by the Becket Fund for Religious Liberty on behalf of two colleges and a religious broadcasting network.

"Any rule, regulation or law," Schuette said, "that forces faith-based institutions to provide for services that violate their free-exercise of religion, or that penalizes them for failing to kneel at the altar of government, is a flat-out violation of the First Amendment."

In September 2012, Schuette filed a brief in support of a Michigan company, Weingartz Supply Company of Utica and an association of Catholic business owners, Legatus, that have sued to defend their religious liberty against the Obamacare health-insurance mandate. The case is in U.S. District Court in Detroit where on October 31, Judge Robert Cleland issued a preliminary injunction barring the federal government from penalizing Weingartz for not complying with the Obamacare mandate that it provide insurance for contraceptives.

## IN DEFENSE OF RELIGIOUS EMPLOYMENT RIGHTS

In 2011, Schuette filed a brief with the U.S. Supreme Court in support of religious organizations' right to hire and dismiss their religious employees without government interference.

The case developed out of the dismissal of a teacher by a Lutheran school in the Detroit suburb of Redford. The teacher performed both secular and religious duties, including instruction in religion and leadership in prayer. The teacher asserted that she had a physical disability and that the dismissal was an instance of employment discrimination.

Schuette's brief, filed on behalf of Michigan and seven other states, supported the school's claim of a right to manage its religious employees. In a major ruling in January 2012, the high court unanimously agreed. Said Schuette, "This unanimous ruling makes it clear that our Constitution protects the right of the church to freely choose who will guide the faithful, without federal interference."

## SCHUETTE ARGUES FOR RELIGIOUS FREEDOM ON EMU CAMPUS

In 2011, Attorney General Schuette sided with Julea Ward, a former Eastern Michigan University student, in her lawsuit against the university for dropping her from its graduate counseling program. Ward is seeking reinstatement.

The expulsion came after she sought to have a client referred to another counselor because the client's request for counseling on a same-sex relationship conflicted with her religious convictions. At her disciplinary hearing at EMU, university officials questioned and criticized her religious beliefs. Other students had been permitted to refer clients without being subject to disciplinary action. A U.S. District Court supported EMU, dismissing Ward's suit.

In his brief with the Sixth Circuit U.S. Court of Appeals, Schuette argued that the counseling profession's code of ethics and EMU's own textbooks allowed for referrals and that the EMU action may have violated Ward's First Amendment rights.

In January 2012, the appeals court agreed that Ward had a right to a trial and reversed the lower court's dismissal of the case. The university settled with Ward for \$75,000.

**“The religious freedoms enshrined in our Constitution  
do not evaporate when you step foot on campus.”**

-Bill Schuette

## BATTLE IN SUPPORT OF VOTER-APPROVED RIGHTS PROPOSAL

Six years after a 58 percent majority of Michigan voters approved Proposal 2, a ban on racial preferences in admission to public universities and other institutions, Attorney General Schuette continues the fight to have the measure embedded in the Michigan Constitution.

The day after the proposed amendment to the constitution – called the Michigan Civil Rights Initiative (MCRI) – was approved in November 2006, several groups filed suit to invalidate it. Conflicting lower court rulings, centering on whether the state amendment violates the 14<sup>th</sup> Amendment to the U.S. Constitution, led to Schuette in 2011 requesting a hearing before the full U.S. Court of Appeals for the Sixth Circuit. The appeals court granted that second petition and in November 2012 by an 8-7 vote, overturned the MCRI. Schuette immediately announced his intention to appeal to the U.S. Supreme Court. The MCRI remains in effect pending the Supreme Court's review.

“MCRI embodies the fundamental premise of what America is all about: equal opportunity under the law,” said Schuette. “It is absurd to conclude that banning racial discrimination somehow perpetuates racial discrimination. It simply defies common sense.”

## **HISTORIC CHALLENGES AT U.S. SUPREME COURT**

Among his first acts as Attorney General, Schuette renewed Michigan's intervention in two federal court cases: the multi-state challenge to the constitutionality of the "Obamacare" federal health-care law and the defense of Arizona's illegal-immigration statute, in which Schuette led a group of 16 state attorneys general in supporting the Arizona law.

- In its June 2012 ruling on Obamacare, the U.S. Supreme Court agreed with Schuette and the other plaintiffs that the federal government could not force citizens to buy health insurance under the Constitution's Commerce Clause, but they let stand the provision as an exercise of the government's power to tax.
- In the same month, the Supreme Court struck down most of the Arizona law but sustained a major part that brings state and local police into enforcement of federal immigration laws. Schuette's brief for 16 states argued for state authority to enforce the federal laws, especially where the federal government had enforced those statutes only selectively or not at all. The Obama Administration contended that states could enforce such laws only if the federal government gave them specific permission to do so. Michigan was the lead state in the multi-state brief filed in support of Arizona. In the wake of the ruling, Schuette said he was pleased the high court upheld some authority for the states but said it was "disappointing the ruling did not uphold the broader authority of state governments to enforce laws intended to ensure the safety of their citizens."

## **AT ABORTION CLINICS, PATIENT SAFETY**

Attorney General Schuette in November 2011 announced the permanent closing of two abortion clinics, in the Lansing area and in Saginaw. Schuette had sued, alleging the clinics were operating without the physician ownership required by state law.

The physician ownership provision is an important patient safeguard, said Schuette. According to an agreement between Schuette and the clinics' owner, the owner is banned from ever organizing another abortion clinic in Michigan.

## **FIRST STATE TO REACH MAXIMUM RECIPROCITY ON CONCEALED-CARRY**

Michigan in November 2011 became the first state to reach reciprocity agreements with all 39 other states having "shall issue" concealed carry laws. As a result of these accords negotiated by the Attorney General, Michigan residents holding concealed pistol licenses can continue to carry in those 39 other states without obtaining separate licenses for each state.

## FOR FAIR, OPEN COMPETITION ON PUBLIC CONSTRUCTION PROJECTS

In March 2012, Attorney General Schuette filed an appeal seeking to restore Michigan's Fair and Open Competition in Government Construction Act. The law is designed to protect the dollars of Michigan taxpayers and the freedom of contractors by allowing all qualified contractors to bid on public projects on an equal basis, regardless of union or non-union status. "The public contract bidding process should be open and fair," said Schuette. "Encouraging robust competition and free enterprise will save taxpayer dollars."

Public projects include all state and local construction contracts using state dollars. Schuette's appeal is pending before the U.S. Court of Appeals for the Sixth Circuit. The law was struck down in February 2012 in Detroit by the U.S. District Court for Eastern Michigan.

## IN DEFENSE OF THE VOTING RIGHTS OF MICHIGAN SOLDIERS

In October 2012, Attorney General Schuette joined Michigan Secretary of State Ruth Johnson in suing 24 communities to protect the voting rights of soldiers and other Michigan citizens who are overseas. Schuette and Johnson asked that local clerks be ordered to extend the counting deadline for ballots where they were not mailed out to overseas voters by the deadline set in Michigan election law.

"While the vast majority of local clerks met the deadline," said Schuette, "we must ensure that all military and overseas voters' voices are heard in the Nov. 6 election."

Consent agreements worked out with all the 24 communities assured that all military ballots were counted.



"...we must ensure that all military and overseas voters' voices are heard in the Nov. 6 election."

– Bill Schuette