



Environmental Crimes Case Bulletin

U.S. Environmental Protection Agency
Office of Criminal Enforcement, Forensics and Training

This bulletin summarizes publicized investigative activity and adjudicated cases conducted by OCEFT Criminal Investigation Division special agents, forensic specialists, and legal support staff.

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Defendant Summary

Region	Defendants	Case Type/Status
Region 4	Mark Sawyer, Newell Lynn Smith, Eric Gruenberg, Armida DiSanti, Milto DiSanti	CAA/Illegal removal and disposal of asbestos-containing materials
Region 4	Nancy Marie Stein, American Screw & River Corporation	RCRA/Illegally storing hazardous waste and bank fraud
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Region 6	Ram Environmental Services, LLC, Raymond Marcel, Jr., Cyril D. Robicheaux	CWA/Illegal disposal of industrial wastewater
Region 8	James Leslie Vaughan	CWA/Illegally disposing of domestic sewage
Region 9	Matson Terminals, Inc.	CWA/Unlawfully discharging molasses into Honolulu Harbor



Montana Businessman Sentenced for Illegally Disposing of Sewage -- On January 20, 2015, **JAMES LESLIE VAUGHAN**, of Ronan, Montana, was sentenced in federal district court for the District of Montana to two years of probation for illegally disposing of domestic sewage. He had pleaded guilty in October 2014. In addition to probation, the defendant was ordered to pay a \$5,000 fine.



The site on which Vaughn dumped domestic sewage.

The Montana Department of Environmental Quality (MDEQ) issued a cease and desist order to Anytime Septic and Vaughan, its owner, on September 2, 2009. The letter required Vaughan to stop operating Anytime Septic, because Vaughan did not identify an approved land application site for disposal of septage waste. Vaughan's disposal records indicate he disposed of waste on 10 different occasions at his residence near Ronan following receipt of the cease and desist order from MDEQ. EPA's Criminal Investigation Division conducted an investigation which confirmed that Vaughan continued to pump and dispose of septage waste following the issuance of the cease and desist order.

During a search of Vaughan's house, Vaughan could not produce records required to be maintained under EPA regulations. Additionally, investigators photographed septage waste disposed of in an illegal manner at his property. Vaughan wrote a statement during the administrative warrant admitting he disposed of waste at his property in 2011. Vaughan also wrote a statement admitting he deleted his computer files of septage business records during execution of the administrative warrant.

The investigation revealed that Vaughan operated a thriving septage pumping and disposal business, including pumping septage waste at a federal facility, the National Bison Range Complex, following the cease and desist order issued by MDEQ in 2009. EPA-CID verified that throughout this time period (2009-June 21, 2011) Vaughan was not authorized to dispose of septage waste at any state-approved land application site nor did the city of Ronan waste-water treatment plant authorize waste haulers to dispose of septage waste at the city publicly owned treatment works (POTW). Business records of the National Bison Range, confirmed by Vaughan's business records, show that, despite having no authorized disposal site, on June 7, 2011, Vaughn illegally picked up and disposed of septage waste from vault toilets at the National Bison Range.

The case was investigated by EPA's Criminal Investigation Division, the Montana Department of Environmental Quality, and the Lake County Environmental Health Department. It was prosecuted by Assistant U.S. Attorney Kris McLean and Eric Nelson, Special Assistant U.S. Attorney from EPA.

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Computer equipment seized during the execution of an administrative warrant by the Montana Department of Environmental Health. This equipment was analyzed by EPA confirming Vaughan deleted records during the course of the State's administrative warrant. This resulted in the government charging Vaughan with Obstruction of Justice.

Owners and Managers of Former Salvage Operations at Former Textile Plant in Tennessee Sentenced to Prison for Conspiracy Associated with Illegal Asbestos Removal

– On January 22, 2015, five people in federal district court for the District of Tennessee were sentenced to prison terms for conspiring to commit Clean Air



Debris piles with stripped tanks

Act offenses in connection with the illegal removal and disposal of asbestos-containing materials at the former Liberty Fibers Plant in Hamblen County, Tennessee. A&E Salvage had purchased the plant out of bankruptcy in order to salvage metals which remained in the plant after it ceased operations.

Those sentenced were **MARK SAWYER**, of Morristown, Tennessee, a former manager of A&E Salvage, to the statutory maximum of five years in prison, to be followed by two years of supervised release; A&E Salvage manager **NEWELL LYNN SMITH**, of Miami, Florida, was sentenced to 37 months and two years of supervised release; A&E Salvage Manager **ERIC GRUENBERG**, of Lebanon, Tennessee, received a 28-month sentence; **ARMIDA** and **MILTO DISANTI**, of Miami, Florida, each received sentences of six months in prison, to be followed by six months of home confinement. All the defendants were ordered to pay restitution of more than \$10.3 million, which will be returned to Environmental Protection Agency's Superfund, which was used to clean up the plant site contamination.



Stripped boiler from powerhouse of the facility

The sentencing took place over three days and included expert testimony that the exposures of the A&E Salvage workers to asbestos resulted in a substantial likelihood that the workers would suffer death or serious

bodily injury as a result of their exposure constituted a risk of death or serious bodily injury.

According to court documents, all the defendants pleaded guilty to one criminal felony count for conspiring to violate the Clean Air Act's "work practice standards" salient to the proper stripping, bagging, removal and disposal of asbestos. According to the charges, the conspirators, engaged in a multi-year scheme in which substantial amounts of regulated asbestos containing materials were removed the former Liberty Fibers plant without removing all asbestos prior to demolition and stripping, bagging, removing and disposing of such asbestos in illegal manners and without providing workers the necessary protective equipment.

The case was investigated by EPA's Criminal Investigation Division and individuals from the Tennessee Department of Environmental Conservation. It was prosecuted by Assistant U.S. Attorney Matthew T. Morris and Senior Trial Attorney Todd W. Gleason, Environmental Crimes Section of the Department of Justice.

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Ohio Metal Planting Company Fined for Making Illegal Discharges into Sewer System -- On January 27, 2015, **KELLY PLATING COMPANY**, a metal-plating operation located in Cleveland, Ohio, was fined \$50,000 in federal district court for the Northern District of Ohio for making illegal discharges with high concentrations of metals such as chrome and zinc into the sewer system, which in turn, after treatment, discharges to Lake Erie. The company also agreed to make a \$25,000 charitable donation to the Cleveland Foundation, which will be used to improve water quality in Northeast Ohio. Thomas E. White, of Fairview Park, pleaded guilty earlier this year to two counts of making improper discharges. He is scheduled to be sentenced April 16.

White was an employee at Kelly Plating and responsible for operating the equipment which reduced the amount of pollutants discharged into the sewer system to an acceptable level. Starting around January 28, 2012, White changed the way wastewater at the Kelly Plating facility was processed. During the weekdays, White ensured that the pollution control equipment was operated properly, according to court documents.

However, on the weekends White bypassed the pollution control equipment and discharged partially treated wastewater and sludge directly into the sewer system. These discharges contained high concentrations of chrome and zinc. This practice ended on May 19, 2012, according to court documents.

The case was investigated by EPA's Criminal Investigation Division, the Ohio EPA, the Ohio Bureau of Criminal Investigation, and Northeast Ohio Regional Sewer District. It is being prosecuted by Special Assistant U.S. Attorney Brad Beeson.

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The picture to the left shows the discharge point (crock) to the sewer. The piping sections that form the crock had been installed to inhibit spills from flowing into the discharge manhole. This picture was taken upon entry into the facility on the date of the search warrant. The "permitted" discharge is the hard-piped line going into the bottom of the crock. The source is the pretreatment system behind and to the right of it. The hoses going into the top of the crock are unpermitted discharge sources. The small hose going into the crock led to the pump depicted in the picture on the right, which was pumping from the pit (sludge holding tank) in the background of the photo.

Hawaii Corporation to Pay \$1 Million for Molasses Spills -- On January 29, 2015, **MATSON TERMINALS, INC.**, a Hawaii corporation, was sentenced in federal district court for the district of Hawaii to pay a \$400,000 fine plus restitution of \$600,000 based on previously entered guilty pleas to two criminal charges of unlawfully discharging molasses into Honolulu Harbor. By the terms of the plea agreement, the restitution would be divided equally between the Waikiki Aquarium to support coral programs and invasive algae clean-ups and Sustainable Coastlines Hawaii to inspire local communities to care for coastlines through beach clean-ups.

According to information provided to the court, Matson Terminals, which loaded molasses from storage tanks into ships in Honolulu Harbor, discharged approximately 233,000 gallons of molasses into the harbor without authorization from at least September 9, 2013, continuing to September 10, 2013. Matson had been aware of the state of Hawaii Department of Transportation report dated July 31, 2012, that the pipeline from which the discharge occurred was leaking molasses. The discharge caused or contributed to the death of approximately 25,000 fish in the harbor.

The case was investigated by EPA's Criminal Investigation Division. It was prosecuted by Assistant United States Attorneys Leslie E. Osborne, Jr. and Marshall H. Silverberg.

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U.S. Coast Guard photo of the molasses spill.

Louisiana Corporation and Two Owners Sentenced for Scheme to Illegally Dispose of Industrial Wastewater -- On January 29, 2015, **RAM ENVIRONMENTAL SERVICES, LLC**, **RAYMOND MARCEL, JR.**, and **CYRIL D. ROBICHEAUX**, were sentenced in federal district court for the Middle District of Louisiana for their roles in a criminal scheme to violate the federal environmental laws.



Injection well in which the defendants illegally disposed of industrial wastewater.



Injection well site

In June 2013, the three defendants pled guilty to bills of information charging them with a conspiracy to defraud EPA and to violate the Safe Drinking Water Act. In connection with their convictions, the defendants had admitted that, in 2011 and 2012, they conspired with themselves and others to illegally discharge industrial wastewater at locations in Belle River, Louisiana, and Baton Rouge, Louisiana, and to otherwise obstruct the enforcement of the federal environmental laws through kickbacks, the creation and use of false documents, and other fraudulent means.

Ram Environmental Services, LLC, an entity incorporated in the state of Louisiana and doing business in Morgan City, Louisiana, was sentenced to make restitution in the amount of \$114,969.13 to FAS Environmental Services (FAS), based in Belle River, Louisiana, a transportation and disposal company that is primarily in the business of transporting industrial wastewater using a fleet of tanker trucks. RAM was also sentenced to pay a \$50,000 fine and a \$400 special assessment. RAM was also placed on federal probation for a term of two years.

Marcel, of Berwick, Louisiana, was sentenced to a two-year term of probation, a \$1,500 fine, restitution in the amount of \$114,969.13 to FAS, and a \$100 special assessment. Robicheaux, of Morgan City, Louisiana, was also sentenced to a two-year term of probation, a \$5,000 fine, full restitution to FAS, and a special assessment.

The sentencing hearings were preceded by the sentencing of Michael J. Vaughn, who was sentenced in October 2013 to twelve months of incarceration at a federal half-way house, a five-year term of probation, forfeiture of approximately \$23,000, and restitution to FAS. In

a related case, Roger J. Dies, of Zachary, Louisiana is awaiting sentencing as a result of his convictions for failing to report third party wastewater discharges in violation of the Clean Water Act, and obstruction of justice.

U.S. Attorney Green emphasized that FAS ownership was unaware of the defendants' scheme. FAS terminated the employment of Vaughn, its former operations manager, upon learning of the scheme and cooperated fully.

The case was investigated by EPA's Criminal Investigation Division and the Criminal Investigation Division of the Louisiana Department of Environmental Quality. It is being prosecuted by First Assistant U.S. Attorney Corey R. Amundson, who serves as Chief of the Criminal Division, and Assistant U.S. Attorney Alan A. Stevens, who serves as a Deputy Chief.

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South Carolina Corporation Owner Gets Prison Term for Extensive Bank Fraud Scam and Environmental Crime -- On January 21, 2015, **NANCY MARIE STEIN**, of Anderson, South Carolina, was sentenced in federal district court for the District of South Carolina to a total of 73 months in prison for storing hazardous wastes without a permit. Stein was also ordered to pay restitution in the amount of \$17, 692,974.00. Her company, **AMERICAN SCREW AND RIVER CORPORATION (ASR)** of Anderson, was placed on probation for five years and ordered also to pay restitution for its involvement in the bank fraud and storing hazardous wastes without a permit. Both Stein and ASR entered pleas of guilty to the charges on December 16, 2013. The case had originally been set for sentencing on July 15, 2014, but was continued due to issues raised by Stein.

During the guilty plea hearing in December of 2013, the factual presentation revealed that had the cases had gone to trial, the Government would have presented evidence indicating that from at least 2004 and continuing until in 2011, while operating ASR, Stein developed a scheme to defraud a number of financial institutions. As part of the ruse, Stein created a number of fictitious manufacturing companies, organizations and business associations with apparent legitimate addresses, bank accounts and telephone numbers in various locations throughout the Southeast and the Midwest including Alabama, Georgia, Indiana, Ohio, and Pennsylvania. The addresses were mail drops, Stein controlled the accounts, and the telephone numbers were answering services. One of the fictitious entities was an accounting firm which issued audits and financial statements attesting to the fiscal soundness of ASR.

Stein would then apply to various financial institutions for loans for ASR. Often she would present to the institutions false invoices indicating that ASR had purchased types of specialized machinery from the fictitious vendors which could be used as collateral for loans. Often, Stein would have the financial institutions forward the loan proceeds to the non-existent vendors' accounts. The deception also involved removing legitimate identity plates on existing machinery at the ASR location and replacing them with false plates reflecting the serial numbers of the fictitious machines.

After a number of years of running the scheme, Stein's and ASR's debts continued to grow, and ultimately, ASR's creditors forced the company into involuntary bankruptcy in 2011. Thereafter, the United States Secret Service was asked to investigate. At least twenty six victim financial institutions were identified with cumulative losses in excess of \$16 million. When the investigation focused on Stein, in a statement to the Secret Service, she admitted what she had done and took full responsibility for the fraud.

With respect to the environmental crime violation, the government was prepared to show that some years prior to the involuntary bankruptcy, Stein and ASR had been informed that they needed a permit from the South Carolina Department of Health and Environmental Control (DHEC) or from the United States EPA to store the large quantities of hazardous wastes generated by ASR's manufacturing process. No permit to store hazardous waste was ever sought by Stein or ASR or issued by EPA or DHEC.

In June 2011, as a result of a DHEC search of ASR's property, a large quantity of hazardous waste was discovered on site. Thereafter, more than 24,000 gallons of waste were removed from the sight and disposed of by EPA at a cost of approximately \$1,720,000.00

The cases were investigated EPA's Criminal Investigation Division and the United States Secret Service. It was prosecuted by Assistant United States Attorney William C. Lucius of Greenville.

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Texas Man Charged with False Statements in Relation to Blowout Preventer Testing on Oil Platform in Gulf of Mexico

-- On January 26, 2015, **RACE ADDINGTON**, of Houston, Texas, was charged was in federal district court for the Eastern District of Louisiana with making false statements to agencies or departments of the United States in relation to the veracity of blowout preventer testing on an offshore oil and gas platform located at Ship Shoal 225 located on a federal mineral lease in the Gulf of Mexico. If convicted, Addington faces a maximum term of imprisonment of 5 years per count and/or a maximum fine of \$250,000 per count.

According to court documents, on or about November 27, 2012, production and well workover operations were being conducted on the platform and the blowout preventer system had to be tested. A blowout preventer system is designed to ensure well control and prevent potential release of oil and gas and possible loss of well control. The blowout preventer pressure chart that recorded the testing of the blowout preventer testing done on November 27, only recorded 6 of the 7 required components as being tested and was not signed nor dated by any representative on the platform.

On or about November 28, 2012, Addington, as the well site supervisor for the platform saw the results of the blowout preventer testing and had workers create a false blowout preventer test. The next day when Bureau of Safety and Environmental Enforcement (BSEE) inspectors conducted a routine inspection of the platform, Addington presented the fabricated blowout preventer pressure test chart to the BSEE inspectors with the expectation that it would be a passing test and the inspectors would not find the platform to be in non-compliance for failing to properly test the blowout preventer system.

On December 6, 2012, during an investigation of the veracity of the blowout preventer test by the Department of Interior's Investigation and Review Unit, Addington lied and told investigators the false chart he provided inspectors was a test of the chart recorder and that the inspectors mistakenly retrieved the wrong pressure chart from the files when in truth and in fact he knew that he had the blowout preventer pressure test chart fabricated and personally presented the chart to inspectors as the actual test record for the platform's blowout preventer system.

The case was investigated by EPA's Criminal Investigation Division and the Department of Interior-Office of Inspector General (Energy Investigations Unit) with assistance from the Investigations and Review Unit, Bureau of Safety and Environmental Enforcement. It is being prosecuted by Assistant United States Attorney Emily K. Greenfield of the United States Attorney's Office's National Security Unit.

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