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FOR IMMEDIATE RELEASE
APRIL 10, 2009
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OWNER AND OPERATOR OF MASSACHUSETTS COMPUTER PARTS COMPANY PLEADS GUILTY TO WIRE FRAUD AND MONEY LAUNDERING IN CONNECTION WITH $15.4 MILLION DOLLAR CISCO NETWORKING EQUIPMENT FRAUD

Defendant Made More Than 1300 Fraudulent Requests For Replacement Parts Under Cisco's SMARTnet Warranty Program

SAN JOSE, Calif. – The president of Data Resource Group, a company based in Salisbury, Mass., pleaded guilty yesterday to defrauding Cisco Systems, Inc. of computer networking equipment and engaging in money laundering by selling the fraudulently-obtained equipment to other hardware resellers, United States Attorney Joseph P. Russoniello announced.

According to the plea agreement, from approximately June 2003 to February 2007, Michael A. Daly, 55 of Danvers, Mass., engaged in a scheme to defraud Cisco. Daly repeatedly created fictitious personal and company names, obtained e-mail accounts related to those names, and used the fictitious names to rent private mailboxes around the United States. Daly then associated the fictitious names and particular Cisco parts with Cisco SMARTnet service contracts and subsequently used the fictitious names to contact Cisco and falsely claim that parts supposedly covered by the SMARTnet contracts were failed or defective and needed to be replaced. As a result, Cisco sent "replacement" parts to Daly's private mailboxes, where they were then forwarded to Daly's business address in Salisbury.

Under the SMARTnet program, Cisco agreed to provide customers with technical support, including advance hardware replacement. Advance hardware replacement allows customers to obtain replacement equipment from Cisco immediately, without having first to return the broken part.

Daly also engaged in money laundering by selling the fraudulently obtained "replacement" parts to Cisco equipment resellers around the country. On a number of occasions, Daly received tens of thousands of dollars from Cisco resellers for fraudulently obtained parts. Daly generally did not return any part to Cisco and, when he did, he returned a part not covered by SMARTnet and worth little or nothing. According to a previously-filed criminal complaint, Daly carried out the fraud more than 1300 times and used private mailboxes in 39 states. On each occasion, Daly obtained equipment with a list price ranging from $995 to $25,000. Cisco estimates that the loss is approximately $15,455,695.

Daly pleaded guilty to wire fraud and money laundering and admitted to the forfeiture allegations contained in the Indictment. The sentencing of Daly is schedule for July 27 at 9:00 a.m. before Judge Ronald M. Whyte in United States District Court in San Jose.

The maximum statutory penalty for wire fraud in violation of 18 U.S.C. Section 1343 is twenty years,

and a fine of $250,000 or twice the gross gain or loss, whichever is greater, plus restitution and 3 years of supervised release. The maximum penalty for money laundering in violation of 18 U.S.C. Section 1957 is ten years, and a fine of $250,000 or twice the gross gain or loss, whichever is greater, plus restitution and 3 years of supervised release. However, any sentence following conviction would be imposed by the court after consideration of the U.S. Sentencing Guidelines and the federal statute governing the imposition of a sentence, 18 U.S.C. § 3553.

Richard C. Cheng is the Assistant United States Attorney who is prosecuting the case, with the assistance of paralegal Lauri Gomez. The guilty plea is the result of an investigation by the San Francisco Field Office of the Federal Bureau of Investigation, with the assistance of the Boston Field Office of the Federal Bureau of Investigation, the Salisbury, Mass., Police Department, and Cisco Global Business Controls.

Further Information:

Case #: CR 07-00282 RMW

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Electronic court filings and further procedural and docket information are available at https://ecf.cand.uscourts.gov/cgi-bin/login.pl.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at www.cand.uscourts.gov.

All press inquiries to the U.S. Attorney's Office should be directed to Jack Gillund at (415) 436-6599 or by email at Jack.Gillund@usdoj.gov.

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