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United States Department of Justice
U.S. Attorney, District of New Jersey
970 Broad Street, Seventh Floor
Newark, New Jersey 07102

Christopher J. Christie, U.S. Attorney

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Assistant U.S. Attorney:
DEBORAH J. GANNETT
973-645-2781

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Former City of Newark Technology Contractor Admits Defrauding Cisco Systems of Millions of Dollars

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NEWARK – A former information technology contractor for the City of Newark pleaded guilty today to fraudulently obtaining Cisco Systems, Inc. replacement computer parts which he resold, netting him millions of dollars, U.S. Attorney Christopher J. Christie announced.

Michael Kyereme, a/k/a "Michael Appiahkyeremeh," 41, of Piscataway, pleaded guilty to a two-count Information charging mail fraud and tax evasion, according to Assistant U.S. Attorney Deborah J. Gannett.

U.S. District Judge Katharine S. Hayden scheduled sentencing for November 5, 2008. Kyereme is free on electronic monitoring and a $500,000 bond secured by five properties.

Kyereme was arrested on March 2, 2007, when Special Agents of the FBI searched his home and car and recovered more than $3 million in Cisco-brand components that he had ordered on behalf of the City of Newark.

Cisco reported the fraud to the U.S. Attorney's Office and has cooperated throughout the investigation.

According to the Information, Kyereme, an independent contractor hired to provide information technology support to Newark, was responsible for assisting Newark employees when computer problems arose that required technical support. If it was determined that a computer-related problem could not be solved without outside assistance or a replacement part, Kyereme was authorized to contact Cisco Systems, Inc. for technical assistance and, if necessary, to request replacement parts.

Kyereme stated that he understood that the City of Newark maintained service contracts with Cisco under which Cisco was required to replace inoperable or defective Cisco parts with new or refurbished parts. Newark was then required to return the non-working parts to Cisco within 10 days of receiving the replacement parts.

Kyereme admitted that between about January 2003 through about March 2, 2007, he fraudulently requested and received Cisco replacement parts, after falsely claiming that certain components in Newark's computer system had failed. Kyereme then resold them to a third party in California and kept the proceeds.

Kyereme did not dispute that on or about Nov. 7, 2006, he requested a replacement part for a one-port optical card, falsely claiming that the part in Newark's computer system was not responding to his trouble-shooting efforts.

According to the Information to which Kyereme pleaded guilty, Cisco then sent Kyereme

via Federal Express a replacement part of the exact type alleged to be inoperable – a working one-port optical card, with a commercial value of approximately $260,000 – and Kyereme returned a different part – an eight-port adaptor worth approximately $2,000.

Kyereme acknowledged that between about January 2003 through about March 2, 2007, he received approximately $6,900,000 in Cisco replacement parts which he then resold to third parties and deposited the corporate checks he received as payment for the Cisco parts into his personal bank accounts.

Kyereme further admitted that on or about April 15, 2007, he filed a fraudulent personal tax return, with the IRS, which stated that his taxable income for the calendar year 2006 was approximately $81,494 and claiming a refund of approximately $4,034 was due to him.

In fact, Kyereme admitted, that tax return failed to include approximately $1,242,483 in additional taxable income Kyereme received as a result of the checks he received from the third party which he caused to be cashed during 2006. He admitted that an additional tax of approximately $429,826 was due the United States.

Kyereme also admitted that he filed with personal income tax returns with the IRS for 2003, 2004 and 2005, which understated the amount of taxable income he received for those calendar years. Kyereme admitted that for tax years 2003 through 2006, a total additional tax of approximately $669,234 was due the United States.

Kyereme faces a statutory maximum penalty of 20 years in prison on the mail fraud offense and a fine of up to $250,000. He faces a statutory maximum of five years in prison and a fine of up to $100,000 for the tax evasion offense.

Christie credited Special Agents of the FBI, under the direction of Acting Special Agent in Charge Weysan Dun; and Special Agents of the IRS Criminal Investigation Division, under the direction of Special Agent in Charge William P. Offord, with developing the case against Kyereme.

The government is represented by Assistant U.S. Attorney Gannett of the U.S. Attorney's Public Protection Division in Newark.

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Defense Counsel: Mark Rufolo, Esq., Roseland