

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF KENTUCKY
CENTRAL DIVISION
LEXINGTON**

UNITED STATES OF AMERICA

V.

CASE NO. 5:16-MJ-5057-REW

TIMOTHY M. LONGMEYER

* * * * *

AFFIDAVIT IN SUPPORT OF CRIMINAL COMPLAINT

I, James Huggins, Special Agent of the Federal Bureau of Investigation, being duly sworn, depose and state that:

1. I am a Special Agent with the Federal Bureau of Investigation [hereinafter "FBI"] and have been since February 21, 1995. I have received basic training regarding all FBI investigations, to include Public Corruption investigations, located at the FBI Academy located in Quantico, Virginia. I am currently assigned to the Louisville Division of the FBI, Lexington Resident Agency and am assigned to investigate Public Corruption matters. Prior to my current assignment, I was assigned to the San Francisco Division of the FBI, where I worked a variety of violations, to include narcotics, gangs, fugitives, terrorism, and public corruption.

2. Throughout my 20 years as an FBI investigator, I have received training in evidence handling, undercover operations, working with confidential informants, surveillance, legal issues to include constitutional and privacy issues, a wide variety of frauds, forfeiture, and arrest procedures, among other training. As a federal law enforcement officer, I am authorized to execute warrants issued under Rule 4 of the Federal Rules of Criminal Procedure.

PURPOSE OF AFFIDAVIT

3. This Affidavit is being submitted in support of a Criminal Complaint. For the reasons set forth below, I respectfully submit that this Affidavit contains probable cause to believe that TIMOTHY M. LONGMEYER has committed violations of 18 U.S.C. § 666(a)(1)(B), bribery concerning a federally funded program.

4. I make this Affidavit based upon personal knowledge derived from my participation in this investigation and upon information I believe to be reliable from the following sources:

- (a) my training and experience, including my experience investigating the fraud, money laundering, and public corruption described herein;
- (b) discussions I have had personally concerning this investigation with experienced fraud and public corruption investigators;
- (c) physical surveillance conducted by the FBI, the results of which have been reported to me either directly or indirectly;
- (d) public records; and
- (e) information reported by FBI Confidential Sources.¹

5. This Affidavit is intended to show only that there is sufficient probable cause to support the Criminal Complaint and for the requested summons. This Affidavit does not set forth all of my knowledge about this matter.

¹ All confidential sources will be referred to as "he" throughout this Affidavit regardless of the actual gender of the confidential source for consistency and to protect the confidentiality of the confidential source. Furthermore, the full names and identities of all confidential sources and all other entities referenced anonymously herein (including LLC #1, Candidate #1, and Candidate #2) are known to the FBI.

RELIABILITY OF INFORMATION

6. FBI Confidential Source 1 [hereinafter “CS #1”] has provided reliable information to the FBI since approximately May 7, 2015. CS #1 obtained this information through his employment with a limited liability company [hereinafter, “LLC #1”] that has received over \$2,000,000.00 in payments under contracts obtained through a kickback arrangement with LONGMEYER. In the normal course of his duties, CS #1 has regular access to LLC #1’s business records. Information provided by CS #1 is derived from first hand observation, in the normal course of his employment. CS #1’s information has consistently been corroborated by recordings of communications involving other members of the conspiracy, business records of LLC #1 that CS #1 provided, state campaign finance data maintained by the Kentucky Registry of Election Finance [hereinafter, “KREF”], physical surveillance, and telephone call and text message history records, including records from Court authorized pen register and trap and trace devices [hereinafter, “pen-trap devices”].² CS #1’s information has never been found to be false or misleading. For each of these reasons, I consider CS #1’s information to be reliable.

PROBABLE CAUSE

7. The FBI is conducting a criminal investigation of a conspiracy engaged in fraud, money laundering, bribery, and kickbacks. The investigation has determined that members of

² CS #1 has a criminal history that includes an arrest for possession of marijuana. Furthermore, as an employee of LLC #1, CS #1 had limited involvement in the conspiracy prior to his cooperation with the FBI. CS #1 expressed concern over continued involvement in these illegal activities and reported this concern as his motivation for bringing this information to the FBI. In exchange for his cooperation and in recognition of the fact that he reported this conduct to the FBI in a voluntary and timely manner, CS #1 is receiving consideration from the United States Attorney’s Office, in that he will not be charged for his previous involvement in the scheme. Additionally, the FBI has provided and is providing CS #1 with monetary compensation in return for this information and his assistance. The FBI recently increased CS #1’s periodic compensation after CS #1 expressed intent to cease participating in the operation due to frustration over a recent verbal altercation with a member of the conspiracy, a history of poor treatment of CS #1 by this other individual, and an inaccurately perceived delay in the periodic compensation that CS #1 has been receiving from the FBI.

this conspiracy orchestrated a kickback scheme, under which LONGMEYER agreed to use his former official position to steer work to LLC #1 in exchange for cash payments and conduit contribution checks made payable to certain political campaigns.

8. From approximately January 2011 through approximately September 30, 2015, LONGMEYER was the Secretary of the Kentucky Personnel Cabinet, the agency responsible for the management and administration of the Commonwealth of Kentucky's workforce, including the administration of pay and benefits for state employees. As Secretary, LONGMEYER was the Cabinet's chief executive. Prior to this time, LONGMEYER was employed as the Cabinet's Deputy Secretary. According to public information, LONGMEYER resigned this position on or about September 30, 2015.³

9. Based on public information, I have learned that the Kentucky Personnel Cabinet is responsible for administering the Kentucky Employees' Health Plan [hereinafter, "KEHP"]. According to the Personnel Cabinet's public website, the KEHP is "a \$1.8 billion, self-funded, health insurance program, which provides benefits to nearly 300,000 public employees and their dependents." *See* <http://personnel.ky.gov/pages/about-cabinet.aspx>. From public information, I have also learned that the Commonwealth of Kentucky, through the Personnel Cabinet, contracts with private insurance companies, including Humana, Inc. [hereinafter, "Humana"] and Anthem Blue Cross Blue Shield [hereinafter, "Anthem"], to provide health care coverage to Commonwealth employees and their dependents. *See, e.g.,* <https://personnel.ky.gov/Annual%20Reports/2014-2015%20Annual%20Report.pdf>.

10. Through the methods described in the previous paragraphs, the investigation has determined that LONGMEYER and others participated in a kickback scheme, under which

³ As Secretary of the Kentucky Personnel Cabinet, LONGMEYER was an agent of the Commonwealth of Kentucky, which receives well over \$10,000.00 in federal funds per year.

LONGMEYER abused his authority over the KEHP to persuade Humana and Anthem to hire and pay LLC #1 for consulting services that included focus group testing and telephone surveys. In exchange for LONGMEYER's actions, representatives of LLC #1 laundered the proceeds of these contracts through a series of transactions designed to convert the funds into cash and conduit campaign contributions. A representative of LLC #1 then delivered this cash and these conduit campaign contributions to LONGMEYER.

A. KICKBACKS DERIVED FROM LLC #1'S PAYMENTS FROM HUMANA

11. The investigation has determined that LLC #1 received contracts to provide consulting services for Humana and received consulting fees from Humana for several years. CS #1 supplied the FBI with a copy of an August 2009 consulting agreement and schedule of services, signed by representatives of LLC #1 and Humana. Based on my review of these records and my training and experience, I have concluded that LLC #1 contracted to provide professional consulting services for Humana, which required focus groups to elicit discussion of state employees' "likes and dislikes of the current health plan" over a period of 1-2 hours, and "[a] full written report," including "key findings, detailed findings, and any implications/recommendations." Through federal legal process, the FBI obtained records of financial accounts held by LLC #1 and is analyzing these accounts. Thus far, that analysis has established that Humana paid \$2,008,663.00 to LLC #1 in transactions between October 18, 2011 and December 23, 2014.

12. CS #1 reported that LLC #1 received these contracts because of its kickback agreement with LONGMEYER. Specifically, CS #1 reported that LONGMEYER arranged surreptitious meetings with a representative of LLC #1 in different locations, including the parking lots of a Kroger in Versailles, Kentucky, and a McDonalds in Midway, Kentucky. At these meetings, according to information provided by CS #1, LONGMEYER presented the LLC

#1 representative with further consulting opportunities and solicited further kickbacks.

According to CS #1's information, LONGMEYER gave specific, written directions as to (i) the amount that LLC #1 should charge the health insurance company; (ii) the amount that LLC #1 should kick back to LONGMEYER; and (iii) the amount that LLC #1 could keep.

13. The investigation has also determined that after certain payments of consulting fees from Humana, representatives of LLC #1 converted these funds into cash through a series of financial transactions. Based on the information set forth immediately below, representatives of LLC #1 used a portion of this cash to repay third parties who wrote contribution checks to the campaigns of political candidates specified by LONGMEYER. A representative of LLC #1 delivered these conduit contribution checks and cash kickbacks to LONGMEYER, as repayment for assistance in securing the consulting business for LLC #1.

14. CS #1 provided the FBI with a copy of a two-page ledger maintained by LLC #1. According to CS #1, each page of the ledger related to the disposition of a payment from Humana to LLC #1. One page of the ledger contained a series of 17 entries associated with dates occurring on roughly a weekly basis between November 21, 2014 and February 27, 2015 and monetary amounts ranging from \$3,500.00 to \$10,500.00. CS #1 reported, based on discussions within the offices of LLC #1, that the ledger reflected disposition of a payment from Humana to LLC #1 and that LONGMEYER directed a \$90,000 kickback from this payment.⁴ The seventeen transaction entries on this page totaled \$90,000.00. CS #1 reported that the second page of this ledger related to disposition of a \$218,000.00 payment from Humana to LLC #1 and

⁴ The FBI's preliminary analysis of LLC #1's bank records has confirmed that LLC #1 received \$118,800.00 in a wire transfer from Humana on November 13, 2014.

that LONGMEYER directed that \$100,000.00 of these funds be kicked back to him.⁵ The second page of the ledger reflected a series of payments to LONGMEYER, including: (i) 17 entries of \$5,000.00 each, associated with dates occurring on roughly a weekly basis between February 27, 2015 and June 19, 2015; (ii) \$2,000.00 in entries bearing the name of Candidate #2, associated with the date March 6, 2015; (iii) \$1,000.00 in entries bearing the name of Candidate #1, associated with the date March 12, 2015; and (iv) \$3,000.00 in entries bearing the name of Candidate #1, associated with the date May 29, 2015. The entries on this page thus totaled \$91,000.00 and reflected a balance of \$9,000.00 after the final entry. CS #1 explained the entries that did not contain candidates' names corresponded to cash payments given to LONGMEYER. CS #1 further explained that the entries associated with candidate names corresponded to conduit contribution checks provided to LONGMEYER.⁶ Based on this information, I believe that LONGMEYER received: (i) \$90,000.00 in cash between November 21, 2014 and February 27, 2015; and (ii) \$91,000.00 between February 27, 2015 and June 19, 2015, \$85,000.00 of which was in cash and \$6,000.00 of which was in checks written to political campaigns by conduit contributors.

15. According to CS #1, representatives of LLC #1 recruited and paid other individuals, including employees of LLC #1, to write campaign contribution checks in their own names. CS #1 reported that he was required to make conduit contributions to certain political campaigns, and that he was reimbursed, in cash, for these contributions. CS #1 provided the FBI with his own bank records to corroborate this. In each instance, these bank records showed that

⁵ The FBI's preliminary analysis of LLC #1's bank records has confirmed that LLC #1 received \$217,800.00 in two separate wires from Humana on December 23, 2014.

⁶ The investigation has given no reason to believe that the political candidates whose campaigns received the funds in question were aware of this scheme or the illegal sources of the funds contributed their campaigns.

CS #1 made a cash deposit of \$1,000.00 and issued a check for \$1,000.00 to the pertinent campaign, within days of each other. Based on my training, experience, and knowledge of this investigation, I have concluded that these records corroborate CS #1's explanation of the ledger and CS #1's allegation that members of the conspiracy used a portion of this cash to obtain conduit contributions to the campaigns of certain candidates for state public office.

16. Additionally, CS #1's information was corroborated through an analysis of data from a publicly accessible state campaign finance database maintained by KREF. The data showed that campaign contributions were reported from employees of LLC #1 to the campaigns of Candidate #1 and Candidate #2 on the dates and consistent with the amounts specified in the ledger.

17. CS #1 covertly recorded a conversation within the offices of LLC #1, in which a representative of LLC #1 spoke of the cash payments to LONGMEYER. CS #1 provided that recording to the FBI. I have reviewed the recording, and I have concluded that it corroborates CS #1's explanation that the 17 ledger entries of \$5,000.00 corresponded to cash payments to LONGMEYER. In the recording, the LLC #1 representative stated: "I wish I hadn't given that last 5, because that was out of my pocket." Further in the discussion, the representative clarified: "actually the last 25 was out of my pocket," and "I'm out about \$43,000" The representative also stated that he was "protecting the business" by "taking 5 grand a week out of my pocket." When asked whether LONGMEYER would "give us more work," the representative's response was: "I don't know but I think when the well runs dry, you get used to that water, you're going to come back for it."

18. Thus, based on my training, experience, and knowledge of this investigation, including the foregoing information, I believe that LLC #1 converted at least \$181,000.00 in

consulting fees received from Humana into cash (\$175,000.00) and conduit campaign contributions (\$6,000.00), through a series of financial transactions. I also believe that the cash and conduit campaign contributions were delivered to LONGMEYER, in exchange for his assistance in steering the Humana work to LLC #1.

B. KICKBACKS DERIVED FROM LLC #1'S PAYMENTS FROM ANTHEM

19. Shortly before LONGMEYER stepped down as the Secretary of the Personnel Cabinet last fall, he and other members of the conspiracy continued their scheme with a new funding source. Based on information received from CS #1, I learned that LONGMEYER ensured that LLC #1 would receive a consulting project from Anthem as part of the continuing kickback arrangement. CS #1 reported that this consulting project was a telephone survey relating to Anthem's services under the KEHP. Furthermore, I learned that representatives of LLC #1 laundered its consulting fees, converting these proceeds to cash. During FBI surveillance, I observed a representative of LLC #1 meeting with LONGMEYER on two occasions to deliver cash kickbacks.

20. On September 10, 2015, while under FBI surveillance, LONGMEYER and a representative of LLC #1 (each of whom was identified based on a visual comparison with his driver's license photograph) met for 15 minutes inside of LONGMEYER's car, in the parking lot of the McDonald's restaurant at 1007 Green Gable Drive, Midway, Kentucky. Afterward, CS #1 participated in a discussion about the meeting, recorded part of this conversation, and provided that recording to the FBI. I have reviewed the recording and have determined that the LLC #1 representative who met with LONGMEYER stated that LLC #1 would perform a "phone survey" for Anthem, that LLC #1's payment would be "\$48,000.00," and that "we in turn, give back 22.5." Based on my training, experience, and knowledge of the investigation, I have

concluded that the LLC #1 representative and LONGMEYER agreed that LLC #1 would bill Anthem for \$48,000.00 and kick back \$22,500.00 to LONGMEYER.

21. According to information supplied by CS #1, a check from Anthem, in the amount of \$48,000.00, arrived at LLC #1's office via U.S. mail on September 29, 2015. CS #1 provided the FBI with a copy of this check, which was dated September 25, 2015.

22. On October 2, 2015, CS #1 learned that a representative of LLC #1 planned to give LONGMEYER \$5,000.00 in cash on October 2, 2015 and \$17,500.00 on October 9, 2015. On the same date, CS #1 observed two large envelopes containing cash within LLC #1's offices. On October 2, 2015, the FBI established surveillance on the McDonald's restaurant at 1007 Green Gable Drive, Midway, Kentucky. While under surveillance, LONGMEYER met a representative of LLC #1 inside of a vehicle being driven by LONGMEYER for approximately 15 minutes. Both individuals were identified based on visual comparisons with their driver's license photographs and positive cross-references between the license plate numbers of their vehicles and Kentucky motor vehicle registration records. My conclusion, based on my training and experience and my knowledge of this investigation, is that LONGMEYER accepted \$5,000.00 during this meeting.

23. On October 8, 2015, CS #1 reported that he observed a brown cardboard box in the office of LLC #1 and that he overheard a representative of LLC #1 state that the box contained \$17,500.00. Based on information provided by CS #1, the FBI established surveillance on the same McDonald's restaurant on October 9, 2015. During the surveillance, the FBI observed LONGMEYER meeting with a LLC #1 representative in the vehicle being driven by LONGMEYER, based on visual identification of both individuals. Surveillance witnessed the LLC #1 representative enter LONGMEYER's vehicle with a brown cardboard

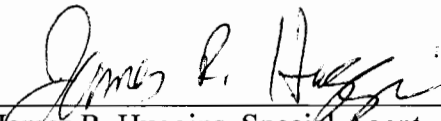
box. Approximately eight minutes later, the representative exited the vehicle without the brown cardboard box. Immediately afterward, the representative returned to LLC #1's office. CS #1 then participated in a discussion of the meeting, recorded that discussion, and provided the recording to the FBI. I have reviewed the recording and have determined that the representative who met with LONGMEYER stated: "Yeah, everything's good; I'm paid off with Tim now." Later in the recording, the representative can be heard stating that LONGMEYER had picked up "\$17,500.00." My conclusion, based on my training and experience and my knowledge of this investigation, is that LONGMEYER accepted \$17,500.00 in cash during the October 9, 2015 meeting.

24. Thus, based on my training, experience, and knowledge of this investigation, including the foregoing information, I believe that LLC #1 converted \$22,500.00 in consulting fees received from Anthem into cash, through a series of financial transactions. I also believe that the cash was delivered to LONGMEYER.

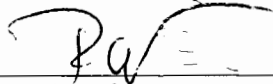
CONCLUSION

25. Based upon all of the information set forth herein, I respectfully submit that this Affidavit contains probable cause to believe that TIMOTHY M. LONGMEYER has committed violations of 18 U.S.C. § 666(a)(1)(B), bribery concerning a federally funded program.

WHEREFORE, your Affiant respectfully requests that the Court issue a summons ordering the appearance of TIMOTHY M. LONGMEYER.


James R. Huggins, Special Agent
Federal Bureau of Investigation

SWORN and SUBSCRIBED to before me on this 24th day of April 2016.

A handwritten signature in black ink, appearing to read 'R. Wier', is written over a horizontal line.

Hon. Robert E. Wier
United States Magistrate Judge
Eastern District of Kentucky