



*United States Attorney
District of New Jersey*

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Contact: Matthew Reilly, 973-645-2888

usanj.publicaffairs@usdoj.gov

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OWNER OF PHARMACIES CHARGED WITH CONSPIRACY TO DEFRAUD IRS

TRENTON, N.J. – The owner of several retail pharmacies, including a pharmacy in Piscataway, New Jersey, was arraigned today on charges he conspired to defraud the IRS, U.S. Attorney Craig Carpenito announced.

Rao Desu, 51, of Warren, New Jersey, was charged by indictment with two counts of conspiracy to defraud the IRS and four counts of aiding and assisting in subscribing to false tax returns. Desu was arraigned before U.S. District Judge Michael A. Shipp in Trenton federal court and pleaded not guilty.

According to documents filed in this case and statements made in court:

Rao Desu was a 50 percent owner in DVS Pharma Inc., (d/b/a Heights Pharmacy), a retail pharmacy in Piscataway. Darshna Desai was the other 50 percent owner and worked as the lead pharmacist. From April 2004 through November 2013, Desu conspired with Desai to conceal from the IRS the cash income that was earned by the pharmacy as part of a cash-skimming scheme. In particular, Desu's relative, who assisted at times in the operation of several of Desu's businesses, instructed Desai to separate the cash earned by Heights Pharmacy from other income received, remove a portion of the cash that was paid to Desai as cash salary, and then split the remainder in two, with one portion given to Desu and the other portion given to Desai.

Desu was also a 50 percent owner of Manvihar Pharmacy (d/b/a Arthur Avenue Pharmacy) in Bronx, New York. The other 50 percent owner in Arthur Avenue Pharmacy worked at Arthur Avenue Pharmacy as the lead pharmacist. From June 2005 through November 2013, Desu conspired with the co-owner to conceal from the IRS the cash income that was earned by the pharmacy as part of a separate cash-skimming scheme. Specifically, Desu instructed the co-

owner to separate the cash earned by Arthur Avenue Pharmacy from other income received, and to split the cash in two, giving half to Desu and giving half to the co-owner.

For tax years 2004 through 2012 Desu and Desai filed false corporate income tax returns, IRS Forms 1120S, for Heights Pharmacy, which failed to disclose the cash that Desai received in salary and that was split between Desu and Desai. From tax year 2005 through 2012, Desu and the co-owner filed false IRS Forms 1120S for Arthur Avenue Pharmacy, which failed to disclose the cash that was split between Desu and co-owner. Accordingly, for tax years 2004 through 2012, Desu filed false personal income tax returns, IRS Forms 1040, which failed to disclose the cash that Desu received from both Heights Pharmacy and Arthur Avenue Pharmacy.

Desai pleaded guilty to conspiracy to defraud the IRS in 2014. Her sentencing is pending.

Conspiracy to defraud the IRS carries a maximum potential penalty of five years in prison and a \$250,000 fine. Assisting and aiding in subscribing to false tax returns carries a maximum potential penalty of three years in prison and a \$100,000 fine.

U.S. Attorney Carpenito credited special agents of IRS-Criminal Investigation, under the direction of Special Agent in Charge John R. Tafur, with for the investigation leading to today's charge. Carpenito also thanked special agents of the U.S. Department of Justice, Office of Inspector General, under the direction of Acting Special Agent in Charge Ron G. Gardella for their role in the investigation.

The government is represented by Assistant U.S. Attorneys Jacques S. Pierre and Karen D. Stringer of the Special Prosecutions Division.

The allegations and charges in the Indictment are only accusations and the defendant is considered innocent unless and until proven guilty.

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Defense counsel: Jay Nanavati Esq., New York