

Department of Justice
U.S. Attorney's Office
District of New Jersey

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Owner Of Pharmacies Convicted Of Conspiracy To Defraud IRS

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

Rao Desu, 52, of Warren, New Jersey, was convicted on all counts of the indictment against him: two counts of conspiracy to defraud the IRS and four counts of aiding and assisting in subscribing to false tax returns, following a two-week trial before U.S. District Judge Michael A. Shipp in Trenton federal court. The jury deliberated less than four hours before returning the guilty verdicts.

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 scheduled for Feb. 26, 2020.

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. Desu's sentencing will be scheduled at a later date.

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

The government is represented by Assistant U.S. Attorneys Jacques S. Pierre and Elaine K. Lou of the Special Prosecutions Division.

Defense counsel: Jay Nanavati Esq., and Mayling C. Blanco Esq., New York