



Office of Inspector General for the U.S. Department of Labor

OIG Investigations Newsletter

August 1 – September 30, 2017
Volume XII

North Texas Couple Convicted in Multi-Million Dollar Health Care Fraud Scheme

On August 3, 2017, and September 19, 2017, respectively, Tshombe Anderson and Brenda Anderson pled guilty to health care fraud charges in connection with a scheme to defraud the Federal Employees' Compensation Act (FECA).

The Office of Inspector General (OIG) for the U.S. Department of Labor (DOL) is pleased to present the *OIG Investigations Newsletter*, containing a bimonthly summary of selected investigative accomplishments.

The OIG conducts criminal, civil, and administrative investigations into alleged violations of federal laws relating to DOL programs, operations, and personnel. In addition, the OIG conducts criminal investigations to combat the influence of labor racketeering and organized crime in the nation's labor unions in three areas: employee benefit plans, labor-management relations, and internal union affairs.



\$355,000 Seized from the Anderson Residence

The Andersons were employed by Union Treatment Centers, LLC (UTC), and upon their termination from UTC, stole information related to UTC patients covered by FECA. The Andersons then used the stolen patient information to submit fraudulent invoices to OWCP for durable medical equipment.

This is a joint investigation with the United States Postal Service–OIG. *United States v. Tshombe Anderson et al* (N.D. Texas)

Former Cleveland Job Corps Center Director Sentenced to Prison for Embezzlement and Tax Violations

On May 23, 2017, former Cleveland Job Corps Center Director, Clark V. Hayes, was sentenced to 37 months in prison and ordered to pay \$1.5 million in restitution for embezzling retirement funds and failing

to pay taxes. Hayes was the owner of Applied Technology Systems, Inc. (ATSI), which held a contract with DOL to operate the Cleveland and Jacksonville Job Corps Centers. Based on his criminal conviction, DOL initiated debarment proceedings and, on September 25, 2017, placed Hayes and ATSI on the System for Award Management exclusion list, effectively debarring Hayes and ATSI from doing any business with the federal government for three years.

Between July 2010 and August 2011, DOL paid ATSI more than \$15.5 million to staff and manage the Cleveland and Jacksonville Job Corps Centers. This amount included reimbursement for wages ATSI paid to the Centers' employees, including amounts that should have been withheld and paid to the Internal Revenue Service (IRS). Hayes failed to pay more than \$1.4 million in payroll taxes between 2010 and 2011. He also closed an employee retirement account and caused more than \$210,000 from that employee's retirement account to be transferred to an account he controlled. Hayes then spent more than \$110,000 of the embezzled money on personal items, including a Mercedes Benz and several business investments.

This is a joint investigation with Employee Benefits Security Administration (EBSA) and the IRS–Criminal Investigation (CI). *United States v. Clark V. Hayes* (N.D. Ohio)

Minnesota Woman Sentenced to Prison in Labor Trafficking Case

On August 24, 2017, Lili Huang was sentenced to a year and a day in prison for withholding documents as well as enslaving, starving, and beating her victim in a forced labor case. Huang was also ordered to pay more than \$123,000 in restitution and forfeit her home.

In February 2016, Huang brought the victim, identified as "F.L.," from Shanghai, China, to her home in Woodbury, Minnesota, to work as a nanny and housekeeper. Although F.L. had previously worked for the defendant in China, where she cooked, cleaned, and cared for the defendant's children, the scope of work and the defendant's treatment of the victim were significantly different once she arrived in Minnesota. Huang forced F.L. to work up to 18 hours a day cooking, cleaning, and providing childcare. Huang became emotionally and physically abusive toward the victim.



Lili Huang's residence in Woodbury, Minnesota

In April 2016, due to the repeated physical abuse, F.L. asked Huang to buy her an airplane ticket so she could return home to China. Instead, Huang took the victim's passport and refused to let the victim leave. Huang also pled guilty in Washington County to one felony count of third-degree assault and was

sentenced on August 11, 2017, to a year and a day in prison, which will run concurrently with her federal sentence.

This is a joint investigation with the U.S. Department of Homeland Security–Homeland Security Investigations (DHS–HSI), U.S. Department of State–Diplomatic Security Service (DOS–DSS), the Woodbury Police Department, and the Washington County Attorney’s Office. *United States v. Lili Huang* (D. Minnesota)

Pennsylvania Landscaping Company Pleads Guilty to Defrauding H-2B Visa Program

On September 20, 2017, Clarke’s Landscaping and Lawncare, Inc. (Clarke’s), through company president David Clarke, pled guilty to defrauding DOL’s H-2B visa program. Clarke’s submitted H-2B visa applications to DOL citing a lack of available U.S. workers and a need to hire foreign nationals to supplement its workforce. In doing so, Clarke’s made a number of materially false statements by representing to DOL that (1) it intended to pay the H-2B beneficiaries a prevailing wage and (2) it would not require them to pay any compensation, such as recruitment fees, related to their employment with Clarke’s. In fact, Clarke’s required its H-2B employees to remit bimonthly cash payments for rent and recruiter fees and compensated them less than the wage rate represented on their visa applications.

This is a joint investigation with DHS–HSI and DOS–DSS. *United States v. Clarke’s Landscaping & Lawncare, Inc.* (E.D. Pennsylvania)

New Jersey Company Vice President Sentenced for Immigration Fraud

On August 29, 2017, Sanjay Gupta was sentenced to six months in prison and ordered to pay more than \$14,000 in restitution. Gupta is the vice president of Doon Technologies (Doon) in Iselin, New Jersey. Gupta submitted fraudulent employment contracts to USCIS to obtain H-1B visas. Pursuant to H-1B visa program rules, Gupta and others falsely stated on immigration documents that foreign workers sponsored by Doon would work in New Jersey and be paid the wages stated on immigration documents. In reality, Gupta had no intention of employing the individuals as required under the H-1B visa program nor paying wages stipulated on documents submitted to DOL and USCIS.

This is a joint investigation with DHS–HSI, DOS–DSS, and the United States Citizenship and Immigration Services (USCIS)–Office of Fraud Detection and National Security. *United States v. Sanjay Gupta* (D. Vermont)

Two Men Sentenced for Defrauding Foreign Worker Program in New Hampshire

On August 28, 2017, Douglas Stuart entered into a deferred prosecution agreement on the charge of conspiracy to aid and abet a false statement. On August 8, 2017, co-conspirator Rohit Saksena was sentenced to 36 months of probation and ordered to pay a \$40,000 fine for making false statements to USCIS.

From roughly March 2014 through roughly December 2015, Saksena filed fraudulent visa applications under the H-1B visa program with USCIS, falsely claiming Saks IT Group was hiring foreign workers to provide professional services to a company in Cupertino, California. He supported those applications with falsified independent contractor agreements between the California company and Saks IT Group and with sham work orders purporting to show the foreign workers would provide professional services

for the California company. Saksena and Stuart conspired to provide false and misleading information to immigration officials designed to obscure the fraudulent nature of the submitted visa applications. Some of the false visa applications resulted in foreign workers receiving H-1B visas. Many of the fraudulent applications were denied once Saksena's deception came to light.

This is a joint investigation with the DOS–DSS and DHS–HSI. *United States v. Saksena et al* (D. New Hampshire)

Ohio Businessman, Attorney, and Investment Firm Employees Sentenced in \$70 Million Ponzi Scheme

Five individuals were sentenced for their roles in a \$70 million Ponzi scheme that defrauded nearly 500 victims. William Apostelos, who orchestrated the scheme, was sentenced to 180 months in prison and ordered to pay more than \$32 million in restitution to victims. His wife, Connie Apostelos, was sentenced to 30 months in prison and ordered to pay more than \$224,000 in restitution. Attorney Steven Scudder was sentenced to 14 months in prison. Rebekah Riddell and Rebekah Fairchild were each sentenced to 36 months of probation and ordered to pay restitution of more than \$15,000 and \$23,000, respectively.

Between 2010 and October 2014, William Apostelos received \$70 million in investment funds in total. He and Connie Apostelos recruited investors from 37 states to invest in their companies, WMA Enterprises (WMA) and Midwest Green, telling the investors their money would be used to acquire stocks or securities, purchase real estate, provide loans to businesses, and buy gold and silver. Rather than investing the money, the couple used it to pay for personal luxuries. As part of the Ponzi scheme, approximately \$1.9 million was stolen from an Employee Retirement Income Security Act (ERISA) covered employee pension plan.

Scudder, at the direction of William Apostelos, falsely held himself out as the trustee of WMA Trust, a land trust that purported to secure investments that investors made with William Apostelos. Based on Scudder's false representations, a 10-member group invested more than \$1 million with William Apostelos, which was used to pay earlier investors.

Riddell and Fairchild, employees of the couple, engaged in a variety of activities in furtherance of the scheme, all at the direction of the couple, including solicitation of new investors, wiring funds between investor accounts, and responding to complaints from investors by providing false and fraudulent explanations about nonpayment of funds.

This is a joint investigation with the FBI, IRS–CI, U.S. Postal Inspection Service (USPIS), and EBSA. *United States v. William M. Apostelos, United States v. Connie M. Apostelos, United States v. Steven Scudder, United States v. Rebekah I. Riddell, United States v. Rebekah Fairchild* (S.D. Ohio)

Pennsylvania Former Union Official Pleads Guilty to Embezzling \$1.5 Million in Union Funds

On September 14, 2017, Raymond C. Ventrone, the former business manager of Local 154 of the International Brotherhood of Boilermakers, pled guilty to embezzlement and tax evasion charges for stealing \$1.5 million in union funds and failing to pay at least \$220,000 in taxes on those criminally derived proceeds.



International Brotherhood of Boilermakers Local 154, Pittsburgh, Pennsylvania

This is a joint investigation with the FBI, IRS–CI, and DOL–Office of Labor Management Standards (OLMS). *United States v. Raymond C. Ventrone* (W.D. Pennsylvania)

Detroit Man Sentenced to 96 months in Prison for Defrauding the State of Michigan’s Unemployment Insurance Agency

On September 27, 2017, Edward C. Galka was sentenced to 96 months in prison and ordered to pay over \$340,000 in restitution to the State of Michigan Unemployment Insurance Agency (SoM UIA). In addition, a civil forfeiture judgment of more than \$340,000 was ordered against Galka. In May 2017, Galka pled guilty to aggravated identity theft, wire fraud, and theft of government money for his role in an unemployment insurance (UI) fraud scheme.



SoM UIA debit cards seized during a search warrant of Galka’s residence.

Galka devised a scheme to create and register fictitious employers with the SoM UIA. Galka then filed fraudulent UI claims against the fictitious companies, using the names of identity theft victims, and collected the fraudulent UI benefits.

This is a joint investigation with the SoM UIA, USPIS, and the FBI. *United States v. Edward C. Galka* (E.D. Michigan)

Southern California Man Sentenced to Five Years in Prison for Stealing UI Funds

On September 29, 2017, Kyn Naope was sentenced to 60 months in prison and ordered to pay more than \$3.4 million in criminal restitution for his role in a UI fraud scheme. On March 31, 2017, Naope pled guilty to conspiracy to commit mail fraud for submitting fraudulent UI benefit claim forms to the California Employment Development Department (EDD) via the United States mail.

Between March 2008 and February 2011, Naope and others involved in the scheme registered fictitious employers with the California EDD and then recruited individuals to pose as laid-off employees of those companies. The fake employees would then file for and collect UI benefits based on the wages reported to the California EDD by the fictitious employers. Because the companies did not exist, all UI claims related to the fictitious employers were fraudulent.

This is a joint investigation with the California EDD Criminal Investigations. *United States v. Kyn K. Naope* (E.D. California)

Florida Woman Sentenced in Aggravated Identity Theft Scheme

On September 27, 2017, Evelina Sophia Reid was sentenced to 56 months imprisonment for her role in a scheme involving aggravated identity theft and the possession of fifteen or more unauthorized access devices, such as fraudulently obtained personally identifiable information. As an employee of Jackson Health System, Reid accessed company databases and stole personally identifiable information of more than 24,000 patients. Reid's co-conspirators used the stolen identities to file fraudulent tax returns and fraudulent UI claims.

This is a joint investigation with the IRS-CI, United States Secret Service, Social Security Administration-OIG, Miami Dade Police Department Professional Compliance Bureau, the Miami Dade Public Corruption Section, and the Miami-Dade County-OIG. *United States v. Evelina Sophia Reid* (S.D. Florida)

Minnesota Business Owner Sentenced to 42 Months in Prison for Stealing more than \$750,000 from Employee Pension Plan

On August 9, 2017, Wallace Gregerson was sentenced to 42 months in prison and ordered to pay more than \$750,000 in restitution for embezzling from his employees' pension plans. Gregerson was the president and owner of Lighting Affiliates, Inc. (Lighting Affiliates), a Minnesota-based corporation that sold lighting fixtures and related products. The Lighting Affiliates 401(k) Profit Sharing Plan was established for eligible employees' retirement savings and was subject to the ERISA.

From February 2011 through August 2015, Gregerson devised and executed a scheme to defraud Lighting Affiliates' employees who were participants in the plan by diverting over \$750,000 in employee funds held in the plan to his own personal use and that of Lighting Affiliates. Gregerson used the majority of the funds to either pay for Lighting Affiliates' expenses or for personal expenses, such as country club membership dues, tickets for sporting events, clothing purchases, and school tuition for a family member.

This is a joint investigation with EBSA. *United States v. Wallace David Gregerson* (D. Minnesota)

Georgia Man Sentenced to Prison for Stealing Federal Job Training Funds

On August 25, 2017, Kevin Edwards was sentenced to 27 months in prison and ordered to pay more than \$489,000 in restitution to DOL for stealing federal job training funds administered by the Atlanta Workforce Development Agency (AWDA). Edwards owned three Atlanta-area businesses that participated in a federally funded job training program that sought to encourage local businesses to hire and train new job seekers in the local community.



Atlanta Workplace Development Agency building

From 2010 to 2012, Edwards received approximately \$649,000 in federal funds from the AWDA by submitting forged and fraudulent wage reimbursement requests for individuals who never worked for his companies. Edwards used the funds to pay his actual employees only a fraction of the salary he reported to the AWDA and failed to provide job training programs required by his participation in the program.

This is a joint investigation with the FBI and IRS–CI *United States v. Kevin Edwards* (N.D. Georgia)

Southern California Man Pleads Guilty to Embezzling Job Training Funds

On August 3, 2017, Jared Palmer, a former facilities manager for the San Diego Workforce Partnership, pled guilty to theft of federal program funds for embezzling more than \$455,000 from the local Workforce Development Board, which provides job training and placement to San Diego residents and employers.

Palmer, through his position as facilities manager, was responsible for approving payment of invoices submitted by janitorial companies contracted to clean San Diego Workforce Partnership facilities. Between 2011 and 2016, Palmer instructed contractors to purchase items he claimed were for the Partnership's use, including Nest Smart Thermostats, various electronics, and prepaid debit cards. Palmer then stole the items and created false invoices to make it appear as though the items had been purchased for legitimate business purposes.

This is a joint investigation with the FBI. *United States v. Jared Palmer* (S.D. California)

Executives of Los Angeles Nonprofit Plead Guilty to Stealing Job Training Funds

On August 15, 2017, Sophia Esparza, Silvia Gutierrez, and Thomas Baiz, all former executives of the nonprofit organization Chicana Service Action Center, a Workforce Investment Act grantee that provided services for domestic violence victims, the homeless, and the unemployed, pled guilty to embezzling and misappropriating millions of dollars in public funding. A fourth defendant, Michael Tompkins, pled no contest to one count of embezzlement.

Together, the defendants fraudulently billed for services not rendered and pilfered county and city funding for their own personal use. In particular, Esparza used city and county funding to rent luxury apartments in downtown Los Angeles and a home in San Marino, California. She also used the stolen money to purchase sports cars, charter a \$35,000 yacht cruise, and purchase season tickets to the Los Angeles Dodgers and the Los Angeles Clippers. Gutierrez and Baiz used the stolen money to pay for bonuses, loans, vehicles, life insurance, and other personal expenditures.

This is a joint investigation with California's District Attorney's Bureau of Investigation; Office of County Investigations, a division of the Department of the Auditor-Controller's Office; and state Franchise Tax Board. *The People of the State of California v. Esparza et al.* (Los Angeles County District Attorney's Office)

Man Pleads Guilty to OSHA Training Fraud Scheme in Atlanta

On August 31, 2017, Ahmad McCormick of Brooklyn, New York, pled guilty to conspiracy to commit wire fraud for his role in an Occupational Safety and Health Administration (OSHA) job-training fraud scheme in which fraudulent job advertisements were used to charge unsuspecting victims for unnecessary OSHA training.

McCormick perpetuated the scheme by operating a series of fraudulent job-staffing businesses throughout the United States. Under the guise of the staffing companies, McCormick posted job advertisements on websites for housekeeping and maintenance jobs, offering above-market wages. McCormick then misrepresented to job applicants that in order to obtain such premium positions, they would be required to take OSHA General Industry training. McCormick further misled job applicants by telling them the OSHA training was federally mandated when, in fact, it was not. After the job applicants paid for, and in some cases completed, the OSHA training, McCormick would cease contact and fail to provide the promised job placement and OSHA training credential.

This is a joint investigation with the East Point Police Department. *United States v. Ahmad McCormick* (N.D. Georgia)

Florida Man Pleads Guilty to Lying to OSHA Investigators During Fatality Investigation

On August 22, 2017, Peter Nees pled guilty to making false statements to investigators from OSHA during an OSHA fatality investigation.

Nees was the senior project manager who oversaw a roofing system installation being performed by his employer, Pinnacle Roofing Contractors, Inc. (Pinnacle). In November 2014, a Pinnacle employee fell through an unprotected skylight and later died due to injuries sustained from the fall. During the ensuing OSHA fatality investigation, Nees falsely stated to OSHA investigators that he did not alter the accident

scene in any way after the accident occurred. In fact, Nees placed yellow caution tape around the accident scene after the incident and told OSHA investigators the caution tape had been present before the accident occurred. *United States v. Peter Nees* (M.D. Florida)

Former Union Boss of Michigan Operating Engineers Local 324 Pleads Guilty to Extortion

On August 18, 2017, John Hamilton, the former top elected official of International Union of Operating Engineers Local 324 (Local 324) pled guilty to conspiring to commit extortion. Hamilton admitted to conspiring with at least two other former top Local 324 officials to violate the Hobbs Act by forcing business agents and other employees of Local 324 to pay kickbacks of more than \$5,000 per year into the “Team Hamilton Slate Fund,” which was to be used for union election campaign expenses. Hamilton threatened union employees with termination if they complained about the payments to his slate and, in 2010, actually terminated a union employee for his complaints. Hamilton used a significant portion of the slate money for his personal benefit, to include paying for meals, liquor, and a \$5,000 wedding gift for his daughter. After losing re-election in August 2012, Hamilton took \$71,000 from his slate fund and distributed it amongst his Local 324 co-conspirators.

This is a joint investigation with the FBI, IRS-CI, OLMS, and EBSA. *United States v. John Hamilton* (E.D. Michigan)

Former UAW and FCA Officials Plead Guilty in Union Payoff and Tax Fraud Scheme

On August 29, 2017, Virdell King, a former assistant director of the United Auto Workers International Union (UAW) Chrysler Department, pled guilty for her role in a multiyear conspiracy in which she and other UAW officials violated the Taft-Hartley Act by receiving illegal payments and things of value from Fiat Chrysler Automobiles (FCA) officials. King was one of the senior UAW officials responsible for negotiating and administering national collective bargaining agreements with FCA on behalf of tens of thousands of UAW members.

Between 2011 and 2015, King accepted thousands of dollars in designer shoes, clothing, jewelry, luggage, and other personal items. All items were purchased using credit cards issued through the UAW-Chrysler National Training Center (NTC), a training fund jointly managed by the UAW and FCA. King also made over \$40,000 of additional purchases between December 2012 and August 2015 at the direction and for the benefit of other senior UAW officials. Those additional purchases included a shotgun, golf equipment, luggage, concert tickets, theme park tickets, and other personal items. All credit card purchases were paid for with funds provided by FCA.

On August 8, 2017, former FCA executive Jerome Durden pled guilty to charges that he and others used the NTC to conceal over \$1 million in prohibited payments and things of value paid to a former UAW vice president and other UAW officials. Durden admitted to preparing and filing numerous false tax returns on behalf of the tax-exempt NTC as well as a purported charity called the Leave the Light On Foundation, as part of a conspiracy to conceal illegal compensation paid to UAW officials and avoid more than \$1 million, in federal taxes.

This is a joint investigation with the FBI, IRS-CI, and OLMS. *United States v. Durden et al.* (E.D. Michigan)