



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

# OIG Investigations Newsletter

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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.

## **More Than \$10 Million in Damages and Civil Penalties Ordered Under the False Claims Act Against Convicted Texas Chiropractor**

On February 12, 2019, a treble damages judgment was ordered in the amount of more than \$10 million against Garry Craighead. Craighead was a chiropractor who organized and operated medical and rehabilitation clinics known as Union Treatment Centers (UTC) and operated CCM&D Consulting, LLC, a marketing/consulting company that marketed UTC's services. Craighead devised an illegal kickback scheme with Brian Haney (Vidor Pharmacy) and Kevin Gray (Family Pharmacy) to file false claims under the Federal Employees Compensation Act (FECA), which caused the government to pay nearly \$3.5 million on those claims. This civil case was filed as a *qui tam* on January 3, 2013.

In December 2015, Garry Craighead pleaded guilty in a separate criminal case to kickbacks and money laundering charges in connection with a scheme to defraud FECA. In 2016 and 2017, Haney and Gray also pled guilty to violating the Anti-Kickback Statute for paying Craighead over \$800,000 in kickbacks for referrals. Craighead began referring patients to Vidor and Family Pharmacies in September 2011 and continued making referrals until at least January 2014. The referred patients worked for various federal agencies, including the Federal Bureau of Prisons, U.S. Army, U.S. Department of Veterans Affairs, U.S. Postal Service, and U.S. Customs and Border Protection. Haney and Gray took the referrals, and Vidor and Family Pharmacies filled the prescriptions and billed the FECA program to receive reimbursement from OWCP. It was established from September 2011 to December 2013, Vidor and Family Pharmacies submitted to the FECA program nearly 12,000 claims for payment based on prescriptions Craighead referred. OWCP paid the pharmacies at least \$3.4 million for the referred prescriptions. Each month, Vidor and Family Pharmacies paid Craighead a percentage of the funds they received from OWCP for filling the referred prescriptions. This is a joint investigation with the U.S. Postal Service (USPS)–OIG, the FBI, IRS–Criminal Investigation Division (IRS-CI), and the U.S. Army Criminal Investigation Command. *United States ex rel. Lisa Wheeler, Plaintiff/Relator v. Union Treatment Centers, LLC, et al.* (W.D. Texas)

## **Civil Settlement Agreement Recovers More Than \$800,000 from a North Carolina Marketer, Texas Marketer, and Oklahoma Doctor for Allegedly Engaging in Illegal Kickbacks with an Oklahoma Pharmacy**

On February 22, 2019, David Tsui and Wellcare Consulting, LLC, a North Carolina marketing company, agreed to pay the United States government more than \$400,000 for allegedly accepting illegal kickback payments from OK Compounding, LLC (OKC), an Oklahoma-based pharmacy. On February 7, 2019, James Adams, owner of the Texas marketing company One Source Healthcare Organization, agreed to pay the United States government more than \$330,000 for allegedly accepting illegal kickback payments from OKC. On February 5, 2019, Dr. Brandon Claflin, of Tulsa, Oklahoma, agreed to pay the United States government more than \$80,000 for allegedly accepting illegal kickback payments from OKC in exchange for writing prescriptions for pain creams compounded and sold by OKC.

The government alleged that OKC paid substantial kickbacks to various third-party “marketers.” In exchange, the marketers referred prescriptions for compounded drugs to the pharmacy. The kickbacks consisted of shared revenue generated by the marketers’ referrals, violating the Anti-Kickback Statute. OKC billed numerous federal health care programs including DOL’s OWCP.

This was a joint investigation with DCIS, IRS-CI, USPS-OIG, the FBI, the Department of Veterans Affairs–OIG, and the U.S. Department of Health and Human Services–OIG.

## **Minnesota Restaurant Owner Sentenced to 42 Months in Prison for Visa Fraud and Harboring an Illegal Worker**

On February 6, 2019, Pisanu Sukhtipyaroge was sentenced to 42 months in prison and three years of supervised release for visa fraud and alien harboring.



*Royal Orchid Restaurant storefront*

Sukhtipyaroge was the owner of Royal Orchid Restaurant, a Thai restaurant located in Columbia Heights, Minnesota. Sukhtipyaroge assisted in procuring an F-1 student visa for the victim of this investigation, who is a citizen of the Dominican Republic. At the time, Sukhtipyaroge was very familiar with the F-1 student visa process and knew that an F-1 student visa is a temporary, nonimmigrant visa that did not permit employment in the United States. Additionally, Sukhtipyaroge used false statements in preparing the visa application and instructed the victim as to what he should and should not say during the visa interview.



*Stairs to the restaurant's basement where Sukhtipyaroge forced the victim to sleep*

Upon arrival in the United States, the victim lived with the defendant and the defendant's family. At some point during this time, the victim began living and working at the Royal Orchid Restaurant. The victim was subjected to poor living and working conditions. Sukhtipyaroge told the victim he would be paid \$500 per month in cash for his labor. However, the victim did not receive the promised pay each month, as Sukhtipyaroge deducted the costs incurred in bringing the victim to the United States in a debt bondage scheme. The victim also worked in Sukhtipyaroge's home without pay.

This was a joint investigation conducted by Homeland Security Investigations (HSI), the Anoka County Sheriff's Office, the U.S. Department of State Diplomatic Security Service, and the Wage and Hour Division (WHD).

This case was worked as part of the Phase II Anti-Trafficking Coordination Team (ACT Team), an interagency initiative that includes the Department of Justice, HSI, and DOL. *United States v. Pisanu Sukhtipyaroge* (D. Minnesota).

### **Louisiana Woman Sentenced to 111 Months in Prison in Connection with Disaster Fraud and Identity Theft**

On March 14, 2019, Renata Foreman of Independence, Louisiana, was sentenced to serve 111 months in prison following her convictions on multiple wire fraud and aggravated identity theft counts related to the August 2016 flooding in southern Louisiana.



*Multiple UI debit cards seized during federal search warrant*

In 2016, 20 parishes in southern Louisiana were affected by historic flooding. Federal Emergency Management Agency funds were made available to people who became unemployed because of the flood. The funds were administered by the Louisiana Workforce Commission (LWC) in the form of Disaster Unemployment Assistance (DUA). During a three-day trial, it was determined that Foreman had submitted approximately 55 fraudulent DUA applications using the stolen identities of both living and deceased individuals. Foreman submitted these fraudulent claims from multiple locations in New Orleans and the surrounding area while residing in a federal halfway house, due to a 2013 conviction for mail fraud, theft of government funds, and identity theft. The attempted loss to the DUA program was in excess of \$150,000.

This is a joint investigation with the FBI, with substantial assistance provided by the LWC. *United States v. Renata Foreman* (M.D. Louisiana)

### **Connecticut Businessman Sentenced for Life Insurance Fraud Scheme**

On March 4, 2019, Daniel Carpenter was ordered to pay partial restitution of more than \$12 million to insurance companies he defrauded in a life insurance fraud scheme. On December 3, 2018, Carpenter was sentenced to 30 months in prison for his role in causing multiple insurance companies to issue fraudulently obtained life insurance policies on elderly people, a scheme that financially benefitted both Carpenter and others working with him.

Carpenter used the guise of the Charter Oak Trust, an employee welfare benefit plan, to mask a stranger-originated life insurance scheme. The Trust procured 84 policies with a total aggregate death benefit of more than \$459 million based on false applications submitted to insurance companies. Another company controlled by Carpenter received more than \$12 million in commissions from the life insurance companies. These policies would not have been issued but for the false information provided on the policy applications.

Although the scheme was to hold the policies for two years before selling them on the life settlement market, one insured unexpectedly died within the first two years of the policy, resulting in a death benefit of \$30 million. At Carpenter's direction, Charter Oak failed to pay the benefit to the beneficiary, instead retaining the funds to pay premiums on other Charter Oak policies and to purchase a home in Rhode Island.

This is a joint investigation with the Employment Benefits Security Administration and the Special Inspector General for the Troubled Asset Relief Program. *United States v. Daniel Carpenter* (D. Connecticut)

### **California Conspirators Sentenced for Their Roles in an Unemployment Insurance Fraud Scheme**

On February 21, 2019, Gregory Lee was sentenced to nine years in prison and ordered to pay more than \$350,000 in restitution for his role in a scheme to defraud the California Employment Development Department (EDD) by filing fraudulent Unemployment Insurance (UI) benefit claims.



*Guns found in Gregory Lee's residence during the execution of a federal search warrant*

Lee, along with other conspirators, entered into a scheme to defraud EDD by filing fraudulent UI claims. In total, the conspirators filed at least 269 claims seeking more than \$2.5 million in fraudulent benefits. EDD's actual loss was approximately \$900,000. Lee participated in the scheme by using stolen identities to file fraudulent UI benefit claims and directing the UI debit cards issued in the names of identity theft victims to be mailed to addresses under his control. Lee then withdrew UI benefits he was not entitled to receive.

This was a joint investigation with the FBI and EDD. *United States v. Emanuel et al.* (E.D. California)

### **Illinois Man Sentenced to 60 Months in Prison for Identity Theft and UI Benefits Fraud Scheme**

On February 5, 2019, Richard M. Lach, 32, of Richton Park, Illinois, was sentenced to 60 months in prison, followed by three years of supervised release, for operating a scheme to defraud state unemployment insurance (UI) programs in Connecticut and 37 other states. Lach was also ordered to pay approximately \$65,000 in restitution.

Lach fraudulently filed UI benefit claims using the names and personally identifiable information (PII) of identity theft victims with the Connecticut Department of Labor (CTDOL). Lach directed the UI benefits to be directly deposited to Green Dot debit cards he had obtained using the names of other identity theft victims. Lach withdrew or otherwise spent the funds he was not entitled to receive.

In addition to fraudulently obtaining UI benefits from CTDOL, Lach fraudulently filed for, or attempted to file for, UI benefits from unemployment agencies in 37 other states in the names of identity theft victims. In some cases, Lach purchased the PII of identity theft victims online. In total, Lach and others with whom Lach conspired purchased the PII of approximately 845 identity theft victims. Between February 2017 and January 2018, Lach and others filed approximately 380 fraudulent UI benefit claims in the names of identity theft victims. Had the state agencies approved and paid benefits for all 380 claims, the total loss from the scheme would have exceeded \$3.8 million. However, state agencies approved and paid benefits on only 42 of the claims, resulting in an actual loss of \$54,006.

Lach also fraudulently purchased cars and obtained car loans in the names of two identity theft victims, using fake driver's licenses, utility bills, and pay-stubs to do so.

This is a joint investigation with the FBI and the Connecticut Office of the Chief States Attorney. *United States v. Richard M. Lach* (D. Connecticut)

## **Miami Resident Sentenced to Prison for Role in UI Identity Theft Fraud Scheme**

On February 6 2019, Cournot Emmanuel was sentenced to serve 30 months in prison followed by three years of supervised release, and ordered to pay over \$20,000 in restitution. On November 8, 2018, Emmanuel was convicted of conspiracy to commit access device fraud, access device fraud, and bank fraud in relation to his scheme to defraud the State of Florida Reemployment Assistance Program.

The investigation revealed that Emmanuel conspired to steal the personally identifiable information of various unsuspecting individuals for the purpose of filing fraudulent unemployment insurance (UI) benefit claims. The evidence presented at trial established that Emmanuel and others conspired to exploit Florida's electronic Web-based UI filing system, known as Connect, to submit numerous fraudulent unemployment insurance applications. Once these applications were processed and approved, Emmanuel directed thousands of dollars in UI benefit payments to his personal bank account.

This was a joint investigation with the State of Florida Department of Economic Opportunity (DEO) and the North Miami Beach Police Department (NMBPD). *United States v. Mathieu et al* (S.D. Florida)

## **Former President of Correction Officers Benevolent Association and Another Individual with Ownership Interest in a Hedge Fund Sentenced for Their Roles in Bribery and Conspiracy Schemes**

On February 8, 2019, Norman Seabrook, former president of the Correction Officers' Benevolent Association (COBA), was sentenced to 58 months in prison for his role in a bribery scheme in which he accepted a \$60,000 payment, and the promise of future payments, in exchange for the investment of millions of dollars of COBA money in a Manhattan-based hedge fund, Platinum Partners.

On February 12, 2019, Murray Huberfeld was sentenced to 30 months in prison. Huberfeld, a founder and part owner of Platinum, previously pleaded guilty to conspiracy to commit wire fraud. Huberfeld caused the management company of Platinum to pay \$60,000 to a separate company by falsely representing that the money was to purchase courtside New York Knicks tickets. In fact, Huberfeld was aware that the purpose of the payment was to reimburse the company owner, who had paid Seabrook for his efforts to get COBA to invest millions of dollars in Platinum. The union lost nearly \$19 million of its investment with Platinum.

This was a joint investigation with the FBI. *United States v. Norman Seabrook; United States v. Murray Huberfeld* (S.D. New York)

## **Former Detroit Union President Sentenced to Prison for Embezzling More than \$300,000 in Union Funds**

On March 7, 2019, Mervin E. Hawk, former president of Local 1640 of the American Federation of State, County, and Municipal Employees (AFSCME), was sentenced to 30 months in prison, three years of supervised release, and ordered to pay more than \$360,000 in restitution for embezzling over \$300,000 in union funds.

Hawk pleaded guilty on November 16, 2018, to one count of embezzlement of union funds. Hawk was the president of AFSCME Local 1640 in Detroit, Michigan from approximately 2013 through 2015. As president, Hawk had signatory authority on the local's primary bank account. Hawk embezzled over

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\$100,000 from this account, diverting the majority of these funds into his personal bank account for his own use. In addition, acting without authorization of the local's executive board, Hawk opened two additional bank accounts in the name of AFSCME Local 1640. As the sole signatory on these additional accounts, Hawk deposited approximately \$200,000 in union dues into these unauthorized accounts, and used the monies for his personal enrichment.

This was a joint investigation with the Office of Labor-Management Standards (OLMS) and the FBI. *United States v. Mervin E. Hawk* (E.D. Michigan)

### **Virginia Union Officials Sentenced to Prison for Role in Wire Fraud and Embezzlement Conspiracy**

On February 8, 2019, Christopher J. Mulhall, the former treasurer of the International Alliance of Theatrical Stage Employees (IATSE) Local 264, located in Hampton, Virginia, was sentenced to three years of probation, which includes five months of home confinement, and ordered to pay more than \$50,000 in restitution jointly and severally with other co-defendants in the case. On November 28, 2018, Dorian and Dennis Nicely, former IATSE Local 264 business agent and vice president respectively, were each sentenced to 10 months in prison. On December 19, 2018, Benjamin Wisecarver, former IATSE Local 264 president, pleaded guilty to one count of conspiracy to commit wire fraud and embezzlement from a labor union.

Mulhall, Wisecarver, and the Nicelys defrauded IATSE Local 264 through a variety of means, including fraudulent and unauthorized use of union debit cards, unauthorized issuance of checks drawn against union bank accounts, and creation and submission of time sheets, whereby they falsely claimed to have worked at union-organized jobs when, in fact, they had not.

This is a joint investigation with OLMS. *United States v. Christopher J. Mulhall* (E.D. Virginia)

### **Upstate New York Man Sentenced to Probation for Obstruction of a Wage and Hour Investigation**

On February 7, 2019, Elias Sawalha was sentenced to 36 months' probation and ordered to pay a \$10,000 fine following his guilty plea for obstructing a DOL, Wage and Hour Division (WHD) investigation.

Sawalha previously pleaded guilty to obstruction for providing false information to WHD officials. Sawalha owned several gas stations in the Syracuse, New York, area. In 2014, the WHD found that he had violated the Fair Labor Standards Act by failing to pay the minimum wage and overtime pay to three of his employees. Sawalha agreed to pay the affected employees over \$30,000 in back wages, and he provided WHD with signed forms and copies of checks to prove the repayment. The investigation revealed that the forms and checks he provided to WHD were falsifications and that he had not paid the employees as ordered.

This was a joint investigation with the WHD. *United States v. Elias Sawalha* (N.D. New York)

## Former Arizona State Official Who Accepted Bribes from Culver City Debt Collection Company Pleads Guilty to Criminal Charges

On February 25, 2019, Leslie Gene Nelson pleaded guilty to one count of bribery. Nelson was an employee of the Arizona Department of Economic Security (AZ DES), a state agency that provides unemployment benefits. As part of his plea, Nelson admitted he had accepted at least \$26,000 in cash bribes from Michael S. Flowers and Flowers' employer, Professional Collection Consultants (PCC), from September 2010 until August 2013. In exchange for the bribes, Nelson provided Flowers and PCC with wage and earnings information associated with thousands of specific Social Security numbers that Flowers provided.

Armed with the confidential earning and wage information from Nelson, PCC analyzed the collectability of each debtor's debt and determined whether it was financially reasonable to sue the debtor to obtain a court judgment that would allow the company to garnish the debtor's wages. During the first eight months of 2013, the confidential information that Nelson provided helped PCC collect over \$900,000 in debts owed.

This is a joint investigation with the FBI and AZ DES. *United States v. Leslie Gene Nelson* (C.D. California)