

Department of Justice
U.S. Attorney's Office
Northern District of Ohio

FOR IMMEDIATE RELEASE
Tuesday, May 23, 2017

Former director of Cleveland Job Corps sentenced to more than three years in prison, ordered to pay \$1.5 million for embezzlement and tax violations

The former director of the Cleveland Job Corps Center was sentenced to more than three years in prison for embezzling retirement funds from employees and failing to pay taxes, law enforcement officials said.

Clark V. Hayes, 56, of Richfield, was sentenced to 37 months in prison and ordered to pay \$1.5 million in restitution. He previously pleaded guilty to one count of embezzlement and three counts of failure to pay taxes.

"This defendant was hired to make sure struggling workers learned new job skills, but instead used the Job Corps program as a way to purchase expensive cards and dine at fancy restaurants," said Acting U.S. Attorney David A. Sierleja. "He defrauded his employees and the federal government."

"Employers have a responsibility to their employees to withhold the proper amount of taxes and pay those taxes over to the IRS," said IRS Criminal Investigation Acting Special Agent in Charge Frank S. Turner II, Cincinnati Field Office. "When employers fail to do so, it affects revenue to the United States government, but more importantly, it affects their employees Medicare and Social Security benefits."

"The U.S. Department of Labor funds contractors to provide critical educational services to Job Corps students. While employing Job Corps Center staff, Clark Hayes embezzled over \$100,000 from his employees' pension plans, and failed to pay over \$870,000 in employment taxes for which he received funding under the DOL contract. We will continue to work with our law enforcement partners to ensure the integrity of Department programs, and will seek debarment from future government contracts when appropriate," stated James Vanderberg, Special Agent in Charge, Chicago Region, U.S. Department of Labor, Office of Inspector General.

Hayes was the owner of Applied Technology Systems, Inc. (ATSI) in Cleveland. The U.S. Department of Labor contracted with ATSI to operate the Cleveland and Jacksonville Job Corps Centers, according to court documents.

Under the terms of the agreement, ATSI staffed and maintained the centers, subject to reimbursement by the Department of Labor for their costs based on a budget. The reimbursable costs included the wages ATSI paid to the centers' employees, including amounts to be withheld and paid over to the IRS, according to court documents.

The Labor Department paid ATSI more than \$15.5 million between from on or about July 1, 2010, through August 16, 2011. Hayes withheld but did not pay over approximately \$1.4 million in taxes between 2010 and 2011, according to court documents.

He also closed an employee retirement account and had more than \$210,000 and transferred those funds to a different account he controlled. He spent approximately \$100,000 of those funds on personal expenses, including purchasing a Mercedes Benz and investing the money in other business ventures, according to court documents and statements.

This case is being prosecuted by Assistant U.S. Attorneys Vasile Katsaros following an investigation by the Internal Revenue Service – Criminal Investigations, the Department of Labor – Office of Inspector General and the Department of Labor -- EBSA.