



**United States Attorney's Office
Eastern District of Michigan**

**Barbara L. McQuade
United States Attorney**

PRESS RELEASE

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**Contact: Gina Balaya - (313) 226-9758
www.justice.gov/usao/mie/index.html**

Shelby Township Company Pleads Guilty To Mail Fraud and Health Care Fraud

A Shelby Township roofing company entered a guilty plea to mail fraud and health care fraud yesterday in connection with unemployment compensation and health care expenses of its employees, United States Attorney Barbara L. McQuade announced today.

McQuade was joined in the announcement by James Vanderberg, the Special Agent in Charge for the United States Department of Labor, Office of Inspector General, Office of Labor Racketeering and Fraud Investigations in Chicago.

Lutz Roofing Company entered a guilty plea before U.S. District Judge Gershwin A. Drain was Lutz Roofing Co., Inc.

According to information provided to the court at the time of the guilty plea, from 2007 through 2012 Lutz executed a scheme to defraud the Michigan Unemployment Insurance Agency by falsely asserting and verifying to the UIA that certain employees had been laid off, enabling them to obtain unemployment insurance compensation, when, in fact, those employees worked some or all of the weeks in which they were reportedly not working. Lutz engaged in a practice known as "banking hours," that is, Lutz did not pay certain part-time employees when they worked, but rather, allowed them to continue to collect unemployment compensation that they were ineligible for because of the hours worked, falsely verified to the UIA that those employees were entirely unemployed and permitted them to accumulate, or "bank," the hours and be paid only when they had reached 40 hours, at which time Lutz would pay the employees and declare to the UIA that the employees had worked the one week. Instead of losing

multiple weeks in unemployment insurance benefits, the employees would lose only one week of unemployment compensation. The scheme cost the UIA more than \$104,000.

Additionally, from 2008 through 2010, Lutz directed certain employees to report injuries sustained or aggravated on the job as sustained or aggravated off the job so that the medical expenses would be paid by the employees' health care plans rather than workers' compensation insurance. By reducing the number of reported on-the-job injuries, Lutz benefitted by reducing its workers' compensation insurance premiums as well as reducing its "incidents rating" so that it could bid on certain high-value contracts for which it would otherwise be ineligible. Several employees' health plans paid benefits totaling more \$70,000, which should have been covered by workers' compensation insurance.

The maximum possible penalties for these offenses are fines up to \$1 million and five years of organizational probation. Lutz will also be ordered to pay restitution to the MESC in the amount of \$104,267, as well as approximately \$70,000 to three health care benefit providers. Sentencing has been set for March 17, 2016 at 3 p.m. before Judge Drain.

"Unemployment compensation funds exist to benefit unemployed workers," McQuade said. "Companies that cheat to gain an unfair advantage over competitors will be brought to justice."

Mr. Vanderberg added "The Office of Inspector General, in conjunction with the United States Attorney's Office and our law enforcement partners, will continue to ferret out individuals and companies that undermine the viability of employee benefit plans and the unemployment insurance system."

The investigation of this case was conducted by the Department of Labor, Office of Inspector General, and the Cincinnati Regional Office of the Employee Benefits Security Administration, U.S. Department of Labor, assisted by the State of Michigan Unemployment Insurance Agency Fraud Division.