



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

# OIG Investigations Newsletter

April 1–May 31, 2019  
Volume XXII

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.

## **Arkansas Woman and Niece Sentenced for Their Roles in Scheme to Defraud Federal Health Care Program of Over \$26 Million**

On May 15, 2019, Lydia Bankhead was sentenced to one-year in prison followed by a one-year period of supervised release. Bankhead was ordered to pay over \$26 million in restitution to the Office of Workers' Compensation Programs (OWCP). On the same date, Lydia Taylor was sentenced to two years of probation and ordered to pay more than \$265,000 in restitution to OWCP.

Bankhead opened Union Medical Supplies and Equipment (UMSE), an OWCP enrolled company, with Tshombe Anderson in 2013. They billed OWCP claimants for durable medical equipment that the claimants neither wanted nor needed. Anderson continued to submit these bills despite knowing the companies were billing OWCP for items unassociated with claimants' injuries.

Taylor was an unpaid intern for OWCP. In February 2018, Taylor pleaded guilty to failure to disclose a financial interest on her employment application. She failed to disclose to OWCP that she worked for UMSE, an OWCP-enrolled company, when she applied for the internship. Bankhead pleaded guilty to aiding and abetting her niece's failure to disclose a financial interest to the government. Bankhead managed the day-to-day operations of UMSE.

Bankhead and Taylor were responsible for shipping the items to the claimant, although most of the billed items were never shipped. In the instances where the items were shipped, claimants often refused or rejected the durable medical equipment. Later in the scheme, Bankhead paid for Taylor to move to Dallas and facilitated her role as an intern with OWCP.

This was a joint investigation with U.S. Postal Service-OIG. *United States v. Lydia Bankhead and United States v. Lydia Taylor* (N.D. Texas)

## **Jury Convicts Seven North Texans of Receiving Kickbacks for Referring OWCP Patients to Dallas Area Surgical Hospital**

On April 9, 2019, following four days of deliberations, a federal jury returned guilty verdicts for seven individuals implicated in a health care fraud scheme.

Wilton McPherson “Mac” Burt, Jackson Jacob, Dr. Douglas Sung Won, Dr. Michael Bassem Rimlawi, Dr. Shawn Mark Henry, Dr. Mrugeshkumar Shah, and Iris Kathleen Forrest were all convicted of conspiracy to pay or receive healthcare bribes. Several of the defendants were also convicted of other crimes including, conspiracy to commit money laundering, substantive counts of paying and soliciting bribes and kickbacks, and Travel Act and aiding and abetting commercial bribery.

Ten other defendants had already pleaded guilty in the \$200 million scheme, designed to induce doctors to steer lucrative patients—particularly those with high-reimbursing, out-of-network private insurance—to Forest Park Medical Center (FPMC), a now-defunct hospital.

Most of the kickbacks, which totaled more than \$40 million, were disguised as consulting fees or “marketing money” doled out as a percentage of surgeries each doctor referred to FPMC.

Instead of billing patients for out-of-network co-payments, instituted by insurers to de-incentivize the high costs associated with out-of-network treatment, FPMC allegedly assured patients they would pay in-network prices. Because they knew insurers would not tolerate such practices, they concealed the patient discounts and wrote off the difference as uncollected “bad debt.”

This is a joint investigation with the Employee Benefits Security Administration (EBSA), the FBI, IRS–Criminal Investigation Division, the Office of Personnel Management (OPM) -OIG, and the Defense Criminal Investigative Service. United States v. Beauchamp et al. (N.D. Texas)

## **California Farm Labor Contractor Sentenced for Conspiring to Exploit the H-2A Program and Its Farmworkers**

On April 20, 2019, Melquiades Jacinto Lara, owner of J&D Harvesting, was sentenced to six months in prison and ordered to pay more than \$135,000 in restitution for engaging in a conspiracy to commit mail fraud, false swearing in immigration matters, and fraud in foreign labor contracting for his role in exploiting the H-2A visa program and its beneficiaries. Lara, along with his co-defendant, participated in an immigration fraud scheme that illegally charged Mexican nationals thousands of dollars to obtain H-2A work visas, as well as other items for which charging fees is prohibited under the H-2A program.

Lara knowingly made false misrepresentations to DOL, U.S. Citizenship and Immigration Services, and the H-2A workers themselves during the labor certification and visa process. As owner of J&D Harvesting, Lara falsely attested to paying all H-2A visa-related fees required by the program, including the costs of transportation, application submissions, and housing. Contrary to what Lara reported to immigration officials on the visa applications, his co-defendant recruited and hired H-2A workers willing to pay as much as \$3,000 in exchange for an H-2A work visa. As a result, despite the H-2A program requirement that employers provide free housing and transportation, Lara conspired to collect money from H-2A workers to cover these costs upon their arrival in the United States.

This was a joint investigation with Department of Homeland Security (DHS)–Homeland Security Investigations (HSI) and the U.S. Department of State (DOS)–Diplomatic Security Service (DSS). *United States v. Vasquez et al.* (C.D. California)

### **Kentucky Employer Pleads Guilty to Visa Fraud for H-2A Fraud Scheme**

On April 19, 2019, Tri-State Lawncare pleaded guilty to making false statements in connection with immigration documents. On the same date, Michael Anthony Wheeler, president and sole owner of Tri-State, pleaded guilty to the misdemeanor crime of willfully underpaying Fair Labor Standards Act overtime.

Between 2009 and 2017, Tri-State falsely represented H-2A visa paperwork submitted to DOL and DHS that H-2A workers would engage in agricultural work, when in fact, Tri-State knew the workers would not be engaged in agricultural work. Rather, Tri-State H-2A workers participated in lawn care and construction work, both job classifications under the H-2B visa program. Furthermore, Tri-State falsely represented that the workers would be paid prevailing wages and would not be charged any fees related to their visas or work in the United States. The investigation revealed Tri-State did not pay the workers prevailing wages and charged them prohibited fees under the H-2A program guidelines for airfare, housing, and worksite transportation.

Tri-State and Wheeler entered into separate plea agreements requiring \$50,000 in civil penalties payable to DOL's Wage and Hour Division (WHD) and a ten-year debarment from the H-2A program. As part of Tri-State's plea agreement, the company agreed to pay more than \$170,000 in prevailing wage shortfalls and illegal H-2A fees and a monetary judgment of \$75,000 in lieu of vehicle and property forfeitures. Additionally, through his plea agreement, Wheeler has consented to repay Tri-State H-2A workers more than \$150,000 in unpaid overtime for unauthorized work.

This was a joint investigation with the WHD, DOS–DSS, and DHS–HSI. *United States v. Tri-State Lawncare* (E.D. Kentucky)

### **New Jersey Woman Convicted of Forced Labor, Alien Harboring for Financial Gain, and Marriage Fraud**

On May 9, 2019, Alia Al Hunaity, a Hudson County, New Jersey, woman was convicted of charges of forced labor, alien harboring for financial gain, and marriage fraud following a six-day trial.

Hunaity brought the victim, a Sri Lankan national, to the United States on a temporary visa in 2009 to perform domestic work. Hunaity caused the victim to overstay her visa and remain in the United States illegally for over nine years. Hunaity forced the victim to cook and clean her homes in Woodland Park and Secaucus, New Jersey, and to care for her three children, all without pay. She limited the victim's interactions with the world outside of Hunaity's homes. During this time, Hunaity required the victim to sleep on a bed in a public space in Hunaity's homes, including in the kitchen. In 2018, Hunaity forced the victim to marry her so that the victim could obtain legal residence and Hunaity could continue to force her to work without fear of the victim being deported.

This is a joint investigation with HSI. *United States v. Alia Al Hunaity* (D. New Jersey)

## Silicon Valley Tech Contractor Pleads Guilty to H-1B Visa Fraud Scheme

On April 30, 2019, Kishore Pallapothu pleaded guilty to visa fraud, conspiracy to commit visa fraud, and witness tampering.

Pallapothu owned and operated multiple companies that served as H-1B labor visa contractors for tech firms. The investigation uncovered that Pallapothu fraudulently obtained H-1B visas by falsely stating to the government that the visa beneficiaries would work for Atiric Software, when, in fact, it was a shell company and no such job opportunities existed. Pallapothu became aware of the government's investigation, and began contacting visa recipients and directing them to give false and misleading information to agents with the intention to hinder, delay, and prevent the federal investigation.

This was a joint investigation with the Document Benefit Fraud Task Force in San Francisco, California, DHS–HSI, and DOS–DSS. *United States v. Vecham et al.* (N.D. California)



*Atiric Software in San Jose, CA*

## Southern California Woman Sentenced in Unemployment Insurance Scheme

On April 9, 2019, Rolanda Ashley was sentenced to 54 months in federal prison for defrauding the State of California's unemployment insurance (UI) program out of more than \$500,000 by using stolen identities to submit dozens of bogus claims for non-existent employees at sham companies.

The investigation revealed that from October 2010, to November 2013, Ashley participated in a scheme to defraud the California Employment Development Department (EDD). During the course of the scheme, Ashley and a co-conspirator registered fictitious companies with the EDD and then submitted false wage information for individuals who purportedly worked for these sham companies. She then fraudulently applied for and obtained UI benefits in these individuals' names. When registering the business addresses of fictitious companies with the EDD, Ashley listed addresses she controlled or had access to. As a result of Ashley's fraudulent submissions, EDD directed a bank to mail debit cards to addresses she listed for the fake claimants. In total, Ashley submitted approximately 40 fraudulent claims seeking more than \$550,000 in UI benefits.

This was a joint investigation with the California EDD. *United States v. Ashley* (C.D. California)

## North Carolina Podiatrist and His Son Sentenced in Connection with UI Benefits Fraud Scheme

On April 11, 2019, Jerry Gross, a North Carolina podiatrist, was sentenced to three years of probation, five months of home detention, and a personal money judgment in forfeiture of more than \$40,000. On the same date, Jason Lee Gross, Jerry Gross's son, was sentenced to 3 years' probation, 8 months of home detention, and a personal money judgment in forfeiture of more than \$35,000. The court further ordered a joint restitution of more than \$160,000.

Jerry Gross owned and operated the Foot & Ankle Center of the Carolinas, P.A., located in Forest City, North Carolina. Jason Lee Gross also worked at the Foot & Ankle Center, managing the practice's business operations, including payroll and personnel decisions. Jerry and Jason Lee Gross conspired to defraud the North Carolina UI Benefits program in order to reduce their labor costs and protect their business during an economic downturn. On various dates between September 2009 and March 2011, Jason Lee Gross laid off each of the Foot & Ankle Center's eight employees, including himself and Jerry Gross. At least four of the employees, including Jason and Jerry Gross, continued to work at the Foot & Ankle Center, while the Center made partial or attached claims for UI benefits on behalf of those four employees.

This was a joint investigation with HSI and the North Carolina State Bureau of Investigations. *United States v. Jason Lee Gross, United States v. Jerry Gross* (W.D. North Carolina)

## California Woman Sentenced for Theft and Embezzlement from a Federally Funded Charity

On May 6, 2019, Foundation for Second Chances (FFSC) founder and executive director Melissa Wyatt was sentenced to six months in prison and ordered to pay more than \$385,000 in restitution for theft and embezzlement of employment and training funds from DOL. FFSC is a community-based nonprofit organization whose stated mission is to provide education, mentoring, health awareness, and community service opportunities to youth.



*Foundation for Second Chances building*

In October 2016, DOL's Employment and Training Administration awarded a \$1.1 million grant to FFSC intended for a YouthBuild program. The investigation revealed that from November 2016 through June 2017, Wyatt abused her position of trust as the executive director of FFSC and the recipient of a



YouthBuild grant by spending the federal funds for her own personal benefit. Specifically, Wyatt spent nearly \$375,000 in YouthBuild grant funds to pay for a personal trip to Iceland, personal credit card bills, a residential mortgage, renovation of her personally owned properties, home furnishings, and non-grant-related meals and entertainment.

*United States v. Melissa Marie Wyatt* (C.D. California)

### **Former California UPS Employee Sentenced for Defrauding the UPS Health Care Benefit Program**

On April 22, 2019, former United Parcel Service (UPS) employee Eddie Hernandez was sentenced to 30 months' incarceration for his role in a scheme to defraud the UPS health care benefit program provided by the Teamsters Western Region & Local 177 Health Care Plan.

From January 2015 to June 2016, Hernandez engaged in a scheme to recruit UPS employees to participate in medically unnecessary, and sometimes never performed, sleep study testing at Atlas Diagnostic Services, Inc., a sleep study diagnostic center located in Studio City, California. Hernandez recruited employees by offering cash in exchange for their participation as well as offering additional monetary benefits for bringing dependents and referring coworkers to participate in the scheme. Hernandez recruited patients knowing that no doctor had prescribed sleep study testing for them and regardless of whether the testing was medically necessary.

Because of the fraudulent insurance claims, the UPS health care benefit program mailed reimbursement checks to Atlas Diagnostic and to UPS employees. At the direction of Hernandez, the UPS employees would then endorse the insurance checks or remit payments to Atlas Diagnostic or to bank accounts controlled by Hernandez. In total, Atlas Diagnostic fraudulently billed the UPS health care plan for approximately \$4.1 million.

This is a joint investigation with the FBI, EBSA, and the OPM–OIG. *United States v. Vishnevsky et al.* (C.D. California)

### **New Jersey Electrical Contactor Sentenced to 18 Months in Prison for Tax Evasion, Embezzlement from an Employee Benefit Plan, and Bribery of a Union Official**

On May 20, 2019, George Peltz was sentenced to 18 months in prison for tax evasion, theft from an employee benefit plan, and unlawful payments to a union official. At sentencing, Peltz paid more than \$958,000 in restitution to the IRS and to an employee benefit plan of the International Brotherhood of Electrical Workers (IBEW).

George Peltz is the owner of MJK Electric, a contracting company in Berlin, New Jersey. Peltz used a check cashing service to conceal more than \$1.5 million in business income that he failed to report to the IRS, failed to make the required contributions of more than \$450,000 to an IBEW benefit plan, and provided and installed more than \$60,000 in state-of-the-art security systems and large-screen televisions inside the homes and business of an IBEW official and one of his family members.

This is a joint investigation with the FBI, the IRS–CI, the EBSA, and the Office of Labor-Management Standards (OLMS). *United States v. George Peltz* (E.D. Pennsylvania)

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

On April 9, 2019, Benjamin Wisecarver, the former president of Local 264 of the International Alliance of Theatrical Stage Employees (IATSE), located in Hampton, Virginia, was sentenced to five months in prison and ordered to pay more than \$50,000 in restitution jointly and severally with other co-defendants in the case.

Wisecarver and his co-conspirators 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 the 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. Benjamin Wisecarver* (E.D. Virginia)

## **Harrisburg Business Owner Pleads Guilty to Defrauding Union Health and Welfare Fund**

On May 14, 2019, Michael Timothy Buchanan, former owner of Actuaries, Consultants, and Administrators, Inc. (ACA Inc.) in Harrisburg, Pennsylvania, pleaded guilty to one count of health care fraud pertaining to a fraudulent billing scheme he executed as the third party administrator of the Pennsylvania Faculty Health and Welfare Fund. The fund is a jointly administered trust that provides dental and vision benefits to members of the Association of Pennsylvania State College and University Faculties (APSCUF). APSCUF is a union that represents faculty members employed by the Pennsylvania State System of Higher Education.

Buchanan instructed employees of ACA Inc. to inflate the number of dental and vision claims processed by ACA, Inc., for participants of the fund in order to charge additional fees and increase billing invoices. Buchanan transferred income earned from the scheme to his personal bank and investment accounts. The fraudulent billing scheme caused the fund to incur a loss of approximately \$1.5 million. As part of his plea agreement, Buchanan agreed to restitution of the full loss amount.

This was a joint investigation with the FBI. *United States v. Michael Timothy Buchanan* (E.D. Pennsylvania)

## **Former Manager of International Labor Union Pleads Guilty to Defrauding and Stealing from Union**

On May 16, 2019, Michael J. Carney pleaded guilty to one count of conspiracy to commit honest services wire fraud and theft and embezzlement of labor union funds. Carney is the former facilities and real estate manager for a large international labor union located in Herndon, Virginia.

Between about May 2012 and at least until about mid-2015, Carney received tens of thousands of dollars in kickbacks from a heating, ventilation, and air conditioning (HVAC) company located in Maryland in exchange for the awarding of the union's HVAC service agreements and maintenance contracts to the HVAC company. The benefits included a high-end outdoor kitchen and free HVAC and plumbing services for Carney and a relative over a multiyear period. With Carney's knowledge, Howard W. Janoske, the president and majority owner of the HVAC company, and his subordinates submitted

inflated and fraudulent invoices to the union to recoup expenses for these personal benefits. Janoske pleaded guilty to the same charge on March 1, 2019, and is currently awaiting sentencing.

This is a joint investigation with the Office of Labor-Management Standards. *United States v. Michael J. Carney* and *United States v. Howard W. Janoske* (E.D. Virginia)

### **Former UAW Vice President Pleads Guilty to Conspiracy to Violate the Labor Management Relations Act**

On April 2, 2019, Norwood Jewell, a former United Auto Workers (UAW) vice president, and the most senior official in the UAW's Chrysler Department pleaded guilty to conspiring to violate the Labor-Management Relations Act by accepting, arranging for, and approving illegal payments from Fiat Chrysler executives to high-level UAW officials from 2014 through 2016.

Jewell admitted that in 2014 he had knowingly joined a "culture of corruption" and a conspiracy at the UAW that had been in place since 2009, whereby Fiat Chrysler illegally paid for lavish entertainment and other things of value for UAW officials. The things of value funneled to UAW officials from Fiat Chrysler included personal travel, golf resort fees, lavish meals and parties, theme park tickets to Disney World and Universal Studios, limousine services, designer clothing, designer shoes, golf equipment, electronics, and custom-labeled bottles of wine. Jewell himself admitted to approving tens of thousands of dollars in extravagant meals for high-level UAW officials in 2015 and 2016.

This is a joint investigation with the FBI, IRS, and OLMS. *United States v. Norwood Jewell* (E.D. Michigan)

### **Company Pleads Guilty to Conspiracy to Obstruct Justice in Workplace Death Investigation**

On April 23, 2019, Extrudex Aluminum, Inc., an aluminum extrusion company in Northeast Ohio, entered a corporate guilty plea to misprision of a felony. The conviction was in connection with a conspiracy to obstruct justice related to an Occupational Safety and Health Administration (OSHA) workplace death investigation, where a defective rack transporting hot aluminum fell onto two employees, pinning them inside an industrial oven, where one employee died and the other received severe burns.

From April 1, 2016, through January 1, 2018, Extrudex, through its employees, concealed felony obstruction offenses from Extrudex's parent company in Canada and further failed to inform law enforcement of the commission of those offenses.

*United States v. Extrudex Aluminum, Inc.* (N.D. Ohio)