



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.

New York Pharmaceutical Sales Rep Pleads Guilty to Defrauding Health Care Benefit Programs of \$5.8 Million

On December 21, 2018, Scott Trapp, a pharmacy sales representative, pleaded guilty to knowingly and willfully conspiring to execute a scheme to defraud multiple health care benefit programs of millions of dollars.

Between 2014 and 2016, Trapp marketed compounded medications such as pain patches, pain creams, and scar creams, which were tailored to contain ingredients that carried high reimbursement rates from health insurers, rather than ingredients that provided effective medical treatment. As part of the conspiracy, Trapp and his associates identified patients whose health insurance plans covered the expensive medications, convinced those patients to agree to receive the pharmaceuticals, and in most cases assisted the patients in obtaining the prescriptions, often without them first visiting or consulting with prescribing doctors. Trapp recruited others to market the medications, supervised those he recruited, and received commissions based on the amounts reimbursed for the approved and filled prescriptions that he and his subordinates marketed.

As a result of Trapp's actions and the actions of those working under his direction, multiple health care benefit programs, including the collectively bargained prescription drug plans sponsored by Verizon and National Grid USA, paid more than \$5.8 million for fraudulently filled compounded medication prescriptions.

This is a joint investigation with the FBI, the Defense Criminal Investigative Service, the U.S. Food and Drug Administration's Office of Criminal Investigations, and the New York State Department of Financial Services. *United States v. Scott Trapp* (W.D. New York)

California Farm Labor Contractor Pleads Guilty to Conspiring to Exploit the H-2A Program and its Farmworkers

On January 24, 2019, Melquiades Jacinto Lara, owner of J&D Harvesting, pleaded guilty to conspiracy to commit mail fraud, false swearing in immigration matters, and fraud in foreign labor contracting

charges 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, the 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 Homeland Security Investigations (HSI) and the U.S. Department of State - Diplomatic Security Service. *United States v. Vasquez et al.* (C.D. California)

Honduran Siblings Sentenced for Their Roles in a Scheme to Evade Over \$6.5 Million in Mandatory Federal Payroll Taxes

On January 29, 2019, Honduran citizens, Fanny Zeleya-Mendez and her brother, Roger Zelaya-Mendez, were sentenced in Jacksonville, Florida, to serve 48 and 24 months in prison, respectively, followed by three years of supervised release for engaging in a scheme to facilitate the employment of undocumented workers and to evade state and federal payroll taxes and workers' compensation laws. Additionally, the Zelaya-Mendezes were ordered to forfeit over \$1.4 million and ordered to pay over \$6.5 million in restitution to the IRS. The investigation found that the Zelaya-Mendezes were unlawfully present in the United States. They had previously pleaded guilty to the offenses.

This investigation revealed that several construction work crews, comprised of individuals without authorization to work in the United States, were receiving wages paid through at least three shell companies owned by the Zelaya-Mendezes. These shell companies operated as a corporate cover to facilitate off-the-books payroll for hundreds of construction workers in exchange for a fee from each weekly payroll check. By hiring these work crews and paying them through shell companies, the defendants evaded millions of dollars in federal payroll taxes, thereby giving them an illicit advantage over legitimate construction companies employing American workers.

This is a joint investigation with HSI, IRS - Criminal Investigation, and U.S. Immigration and Customs Enforcement. *United States v. Roger Omar Zelaya-Mendez and Fanny Melina Zelaya-Mendez* (M.D. Florida)

Detroit Man Sentenced to 36 Months in Prison for Unemployment Insurance Fraud and Illegal Gun Possession

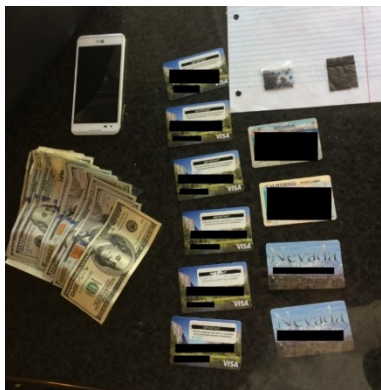
On December 12, 2018, Charles Alexander was sentenced to 36 months in prison, 36 months of supervised release, and ordered to pay more than \$330,000 in restitution for his role in an unemployment insurance (UI) fraud scheme and for illegally possessing a loaded firearm.

Alexander participated in a multi-year scheme to fraudulently obtain UI benefits. Specifically, he obtained the personal identifying information of third party individuals and caused UI benefits to be issued in the names of those third parties, even though those individuals had no legitimate entitlement to such benefits. Alexander also impersonated others in order to withdraw fraudulently-obtained UI benefits from ATMs.

This was a joint investigation with the State of Michigan UI Agency. *United States v. Charles H. Alexander* (E.D. Michigan)

Las Vegas Woman Sentenced for Her Role in an Unemployment Insurance Fraud Scheme

On January 18, 2019, Denisha Debose was sentenced to 26 months in prison and ordered to pay \$182,000 in restitution for her role in a UI fraud scheme. She previously pleaded guilty to conspiracy to commit mail fraud and aggravated identity theft. From June 2016 through September 2017, Debose devised and orchestrated a UI fraud scheme wherein she created fictitious companies and used stolen identities to fraudulently obtain UI benefits.



Search Warrant Evidence Seized from Denisha Debose's Residence

To perpetrate the scheme, Debose first registered fictitious businesses with the Nevada Department of Employment, Training, and Rehabilitation (NV-DETR) and the California Employment Development Department (CA-EDD). She then used the stolen identities of at least 40 individuals to submit false wage records indicating the individuals worked for the aforementioned fictitious employers. Then she used the stolen identities to submit fraudulent UI claims to NV-DETR and CA-EDD, citing the non-existent businesses and false wages, in order to obtain UI benefits.

This was a joint investigation with the NV-DETR. United States v. Denisha M. Debose (D. Nevada)

Former Los Angeles Dockworker Sentenced to Prison for Defrauding the ILWU Health Plan

On January 24, 2019, Sergio Amador, former International Longshore and Warehouse Union (ILWU) Local 13 member, was sentenced to 12 months in prison and ordered to pay \$201,000 in restitution for his role in defrauding the ILWU–Pacific Maritime Association (PMA) health plan. The ILWU represents dockworkers at the ports of Los Angeles and Long Beach. Members of the union receive benefits, including health care, through the ILWU-PMA health plan.



Port Medical Office Building



Port Medical Clinic Logo

During 2009 and 2010, Amador and his co-defendant and fellow ILWU Local 13 member, David Gomez, opened Port Medical Clinics in San Pedro and Long Beach for the purpose of providing medical and chiropractic care to local ILWU members and their families. However, under the direction of Gomez and Amador, clinic staff billed the ILWU-PMA health plan for chiropractic services that were not medically necessary and for services not rendered. Gomez and Amador routed the illegal proceeds of the scheme through third-party medical management companies they created and controlled. In furtherance of their scheme, Amador paid ILWU members “incentives”, including cash and sponsorships of basketball and softball teams, to use the Port Medical Clinics.

This was a joint investigation with the Employee Benefits Security Administration (EBSA) and the FBI. *United States v. Amador et al.* (C.D. California)

New York Union President and Benefit Plan Trustee Sentenced to 37 Months in Prison for Decade Long Embezzlement and Kickback Scheme

On January 28, 2019, Rocco Fazzolari, was sentenced to 37 months in prison, ordered to forfeit more than \$940,000, and to pay over \$1.2 million in restitution for embezzling money from the Union and Benefit Plan he was entrusted to protect.

Fazzolari, the former president of United Industrial & Service Employees Union Local 122, embezzled from the Union to pay for personal expenses that included his wife’s car, a gym membership, actors’ union dues, and spa treatments among other things. Fazzolari concealed his spending by moving assets of the Benefit Plan to the Union. He disguised these funds as shared expenses to make them appear legitimate.

The kickback scheme was accomplished by Fazzolari depositing money into the bank account of Acclaim Administrators (“Acclaim”), the sham third party administrator of the Union’s affiliated health plan, the United Health & Welfare Fund. The owner of Acclaim transferred the same amount of money to his personal account before withdrawing the money and sending approximately 75 percent of it back to Fazzolari.

This was a joint investigation with EBSA, Office of Labor-Management Standards (OLMS), and the FBI. *United States v. Rocco Fazzolari* (S.D. New York)

California Woman Pleads Guilty to Theft and Embezzlement from a Federally Funded Charity

On January 24, 2019, Foundation for Second Chances (FFSC) Founder and Executive Director Melissa Wyatt pled guilty to theft and embezzlement of employment and training funds from DOL. FFSC is a community-based nonprofit organization, whose stated mission was to provide education, mentoring, health awareness, and community service opportunities to youth. In October 2016, DOL Employment and Training Administration awarded a \$1.1 million grant to FFSC intended for a YouthBuild program.



Foundation for Second Chances Building

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)

Senior Official of the UAW Chrysler Department Sentenced to Prison for Conspiracy to Violate the Labor Management Relations Act

On December 28, 2018, Nancy Johnson, the former United Automobile Workers (UAW) international representative and top administrative assistant to the vice president for the UAW Chrysler Department (aka Fiat Chrysler Automobiles [FCA] Department), was sentenced to serve 12 months in federal prison and fined \$10,000 for her role in a conspiracy to violate the Labor Management Relations Act.

As the top administrative assistant, Johnson was the second most senior official in the UAW. She was responsible for negotiating and administering the national collective bargaining agreements between the UAW and FCA on behalf of tens of thousands of UAW members. Between 2014 and 2016, Johnson was part of a conspiracy that involved senior UAW officials unlawfully taking money and other things of value from FCA officials and others acting in their interest, using the UAW-Chrysler National Training Center (NTC) as a conduit.

Johnson knowingly accepted prohibited items worth more than \$40,000, including thousands of dollars in personal travel, golf resort fees and golf equipment, lavish meals and parties, limousine services,

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designer clothing and shoes, jewelry, electronics, and a shotgun. Additionally, FCA executives encouraged and authorized Johnson and other senior UAW officials to use NTC credit cards to pay for personal purchases and expenditures in an effort to obtain benefits, concessions, and advantages in the negotiation, implementation, and administration of the collective bargaining agreements between the FCA and the UAW.

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