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,* presenting a bimonthly summary of selected investigative accomplishments.

The OIG conducts criminal, civil, and administrative investigations relating to violations of federal laws, rules, or regulations, including those performed by DOL contractors and grantees; as well as investigations of allegations of misconduct on the part of DOL employees. In addition, the OIG has an external program function to conduct criminal investigations to combat the influence of labor racketeering and organized crime in the nation's labor unions. We conduct labor racketeering investigations in three areas: employee benefit plans, labor-management relations, and internal union affairs.

South Carolina Man Sentenced to Prison for Health Care Benefits Scheme

On February 26, 2016, William Worthy II was sentenced to serve 135 months in prison and ordered to pay more than $6.5 million in restitution for his role in a nationwide health care scheme that defrauded more than 17,000 victims of more than $28 million.

Worthy and his co-conspirators set up numerous entities that claimed to offer health care coverage, but were in fact unlicensed and unauthorized shell entities with no actual backing from insurance companies. Worthy and his co-conspirators sold fraudulent health care plans, collected more than $28 million in premiums, and then denied or unjustly rejected legitimate claims submitted by participants. Worthy and his co-conspirators also diverted more than $5.4 million in premiums for their own personal use.

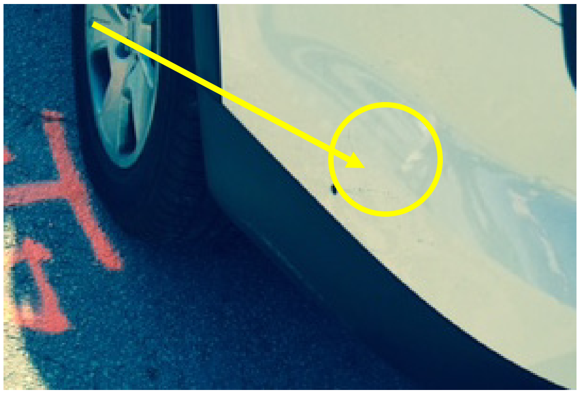
In furtherance of the scheme, Worthy and his co-conspirators contracted with telemarketing companies to promote the sale of their sham benefit plans. Worthy and his co-conspirators circumvented state regulation with regard to this and other activity by falsely claiming that their shell entities were labor organizations under the jurisdiction of DOL, thus exempting them from state regulatory authority.

This is a joint investigation with EBSA, the FBI, the U.S. Postal Inspection Service, the U.S. Secret Service, and IRS-CI. *United States* v. *Posey et al.* (M.D. Tennessee)

Florida Man Sentenced for Identity Theft Scam

On March 15, 2016, Elton Bandoo was sentenced to 84 months in prison and ordered to pay more than $585,000 in restitution for his involvement in an identity theft scheme to defraud the Florida UI program and the IRS.

During the execution of a search warrant at Bandoo's residence, agents found personally identifiable information belonging to more than 26,000 identity theft victims, including names, dates of birth, Social Security numbers, and medical records. Bandoo used the stolen identity information to electronically file hundreds of fraudulent UI applications and federal tax returns, based on which he and others collected fraudulent UI benefits and tax refund payments.



OIG government vehicle gunshot damage

Execution of federal search warrant at Bandoo residence

On February 6, 2015, agents from DOL-OIG's Office of Labor Racketeering and Fraud Investigations (OLRFI), Homeland Security Investigations, the Bureau of Alcohol, Tobacco, Firearms and Explosives, and the North Miami Beach Police Department (NMBPD) Gang Unit, with assistance from the NMBPD Special Response Team (SRT), executed a federal search warrant at the residence of Elton Bandoo seeking evidence of ID theft and UI fraud. During the execution of the warrant, Bandoo fired several shots at the agents with a .45 caliber semi-automatic handgun, and a member of the SRT team sustained gunshot wounds. The officer was transported to the hospital and has made a full recovery. Additionally, an OLRFI government vehicle sustained gunshot damage to the left rear bumper.

This is a joint investigation with the North Miami Beach Police Department, Homeland Security Investigations, and IRS-Criminal Investigation. *United States* v. *Bandoo* (S.D. Florida)

Ohio Investment Advisor Sentenced to Prison for Embezzlement

On March 9, 2016, investment advisor Douglas Cowgill of Westerville, Ohio, former president of Professional Investment Management, Inc. (PIM), was sentenced to 48 months in prison and ordered to pay more than $840,000 in restitution to victims of his scheme to embezzle retirement plan funds held by PIM.

From March 2008 until October 2013, Cowgill victimized at least 125 of PIM's 300 individual client accounts by manually altering account balances and wiring misappropriated funds to bank accounts belonging to himself, his wife, and a nonprofit swim club of which he was treasurer.

This was a joint investigation with EBSA and the FBI. *United States* v. *Cowgill* (S.D. Ohio)

Four Conspirators Plead Guilty in UI Scheme of Nearly $1.5 Million

On March 28, 2016, Wilfredo Torres and Eric Gonzalez, of Alexandria, Virginia, Ferny Moreno Puente, of Silver Spring, Maryland, and Tawana McClain, of Washington, D.C., pled guilty to conspiracy to commit wire fraud as a result of their participation in a fictitious employer scheme that resulted in close to $1.5 million in fraudulent UI benefits from the Maryland Department of Labor, Licensing, and Regulation (DLLR) and the Pennsylvania Department of Labor and Industry (DLI). As part of their pleas, they agreed to pay restitution and forfeiture of approximately $173,000, $173,000, $270,000, and $205,000, respectively.

Co-conspirators Dulce Oleo, of the Bronx, New York; Yaw Bempa-Boateng, of Silver Spring, Maryland; and Carmen Benitez, of Scranton, Pennsylvania, previously pled guilty for their roles in the scheme and agreed to pay restitution and forfeiture of approximately $190,000, $800,000, and $390,000, respectively.

From 2012 to 2015, the conspirators registered fictitious companies with DLLR and DLI, and filed fraudulent wage information falsely indicating that the fictitious companies collectively employed and paid hundreds of individuals. The “employees” listed on wage reports were, in fact, a combination of stolen identities, conspirators’ family members and friends, and conspirators themselves. The conspirators then filed, or caused to be filed, UI benefit applications by posing as individuals who had been laid off by the fictitious companies. As a result, hundreds of UI debit cards were mailed to various commercial and residential addresses controlled by the conspirators and/or their friends and family in Maryland, Virginia, New York, Pennsylvania, and the District of Columbia. The conspirators and others subsequently used those debit cards to withdraw cash and make personal purchases. DLLR and DLI faced combined losses of approximately $4.5 million had the scheme not been detected.

This is a joint case with the USPIS. *United States* v. *Diameter Akala et al., United States* v. *Dulce Oleo*, *United States* v. *Yaw Bempa-Boateng,* and *United States* v. *Carmen Benitez* (D. Maryland)

Former City of Detroit Treasurer and Co-conspirators Ordered to Pay Restitution in Public Pension System Probe

Between October 7, 2015, and February 23, 2016, three individuals were ordered to pay restitution as a result of their involvement in a scheme to defraud City of Detroit pensioners through various corrupt actions. Jeffrey Beasley, the former Treasurer of the City of Detroit; Paul Stewart, a trustee of Detroit’s Police and Fire Retirement System; and realty advisor Chauncey Mayfield were ordered to pay $400,000; $175,000; and $3 million, respectively, to City of Detroit pensioners harmed by their illegal conduct.

Detroit’s two retirement systems lost more than $97 million on pension investments as a result of bribery and kickback schemes perpetrated by Beasley, Stewart, Mayfield, and others. Beasley and Stewart, who were previously sentenced to prison terms of 132 months and 57 months, respectively, conspired with Mayfield and other co-conspirators to take bribes and kickbacks in return for their favorable votes on investment decisions that were not beneficial to the retirement funds.

This was a joint investigation with the FBI, the IRS-CI, and the Office of Labor-Management Standards (OLMS). *United States* v. *Beasley et al.* (E.D. Michigan)

New York Men Plead Guilty to Defrauding UI Program

On February 24, 2016, and March 1, 2016, respectively, George Padilla and Tyson Edouard pled guilty to conspiracy to commit access device fraud and aggravated identity theft for their involvement in a scheme that sought to defraud the New York State UI fund of more than $365,000.

A former Montefiore Medical Center (Montefiore) employee provided Padilla and Edouard with stolen identities of Montefiore patients and employees, which they in turn used to file more than 60 fraudulent UI claims and collect the resulting benefits for themselves.

This is a joint investigation with the New York State Department of Labor and the U.S. Department of Housing and Urban Development–OIG. *United States* v. *Torres et al.* (S.D. New York)

Maryland Federal Contractor Agrees to Resolve False Claims Act Allegations

On February 3, 2016, a civil settlement agreement was filed in Baltimore between Paige Industrial Services, Inc. (Paige) and two qui tam relators, to resolve allegations that Paige had violated the Davis-Bacon Act in connection with a multiyear federal construction project at the National Institutes of Health (NIH) in Bethesda, Maryland. Per the terms of the settlement, Paige agreed to pay the United States between $450,000 and $675,000, contingent on the financial performance of the company over the next five years.

Specifically, it was alleged that Paige submitted claims from 2006 to 2013 falsely certifying that it had complied with the Davis-Bacon Act, which required Paige to pay certain prevailing wages and fringe benefits to its employees, or the employees of its subcontractors, for work performed pursuant to the NIH project.

This was a joint investigation with Homeland Security Investigations and the U.S. Department of Health and Human Services–OIG. *United States et al* v. *Gilbane, Inc. et al.* (D. Maryland)

Two Ohio Investment Firm Employees Plead Guilty in Connection with $30 Million Scheme

On February 19, 2016, former Ohio investment firm employees, Rebekah Riddell and Rebekah Fairchild, pled guilty to conspiracy charges for their involvement in a scheme to defraud that caused more than 450 individuals to lose a total of $30 million, including almost $2 million from benefit plans regulated by the Employee Retirement Income Security Act.

Beginning in 2009, and continuing for at least five years, Riddell and Fairchild, engaged in a variety of activities in furtherance of the scheme, to include solicitation of new investors, wiring of funds between investor accounts, and responding to complaints from investors by providing false and fraudulent explanations about non-payment of funds.

This is a joint investigation with the FBI, EBSA, USPIS, and IRS-CI. *United States* v. *Rebekah Fairchild* and *United States* v. *Rebekah Riddell* (S.D. Ohio)

Four Floridians Plead Guilty to Kickback Scheme to Defraud OWCP

On March 30, 2016, Lenin Perez and Lois Luis pled guilty to felony charges relating to a kickback scheme to defraud OWCP. Perez, who operated an advocacy service for injured federal workers, received more than $1 million in kickbacks from Luis in exchange for steering injured federal workers to Luis's medical clinic. In turn, Luis used the OWCP claim numbers of individuals referred by Perez to fraudulently bill OWCP for services not rendered.

In 2007, while in prison together in Alabama, Luis and Perez discussed the idea of Perez sending injured federal workers to Luis's Tampa-based clinic, AmeriMed Diagnostic Services, Inc. (AmeriMed). In return for referrals, Luis offered Perez 15 to 20 percent of AmeriMed profits. The total amount of kickbacks paid to Perez during the course of the conspiracy exceeded $1 million, including $250,000 paid to Perez's daughter, Liane Perez-Rodriguez, for a "no-show" job at AmeriMed.

Perez-Rodriguez pled guilty on January 26, 2016, to making false statements to federal agents during the course of the investigation. Mary Manso, former AmeriMed chief executive officer, pled guilty on October 14, 2015, to obstruction charges for providing false material statements to federal agents and helping co-conspirators launder more than $2.5 million in illicit proceeds by allowing them to purchase several properties in her name.

This is a joint investigation with USPS-OIG. *United States* v. *Perez et al.* (M.D. Florida)

Oregon Business Owner Pleads Guilty to Theft in Health Care Funds

On March 17, 2016, Darren Bottinelli, former owner of Portland, Oregon–based Axis Benefits Administrators, Inc. (Axis), pled guilty to theft in connection with health care for his involvement in a scheme to embezzle funds from individual health reimbursement accounts (HRAs) managed by Axis.

Between 2009 and March 2014, Bottinelli improperly and repeatedly accessed Axis HRAs and diverted more than $3 million for his own personal use. In March 2014, Bottinelli abruptly closed Axis, leaving approximately 4,000 plan participants unable to access their HRAs for reimbursement of health care expenses.

This is a joint investigation with EBSA and the FBI. *United States* v. *Bottinelli* (D. Oregon)