



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

OIG Investigations Newsletter

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Volume I

The Office of Inspector General (OIG) for the U.S. Department of Labor (DOL) is pleased to present the inaugural edition of 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.

Maryland Company Executive Sentenced to Prison and Ordered to Pay More Than \$30 Million for Fraud Schemes

On November 20, 2015, Shaun Tucker, a Maryland business owner, was sentenced to 8 years in prison and ordered to pay more than \$2 million in restitution, for his role in a complex, multiyear scheme to steal employee benefit contributions required under the McNamara-O'Hara Service Contract Act (SCA), defrauding the United States in obtaining small business set-aside government contracts, and tax evasion. The court also ordered Tucker to forfeit more than \$30 million. Shaun Tucker and his wife and co-conspirator, Joanne Tucker, previously pled guilty to procurement fraud and embezzling employee benefits. Based on his conviction, Shaun Tucker is also statutorily prohibited (debarred) from serving in any capacity on any employee benefit plan for 13 years.

From 2007 to 2010, the Tuckers were controlling officers and majority shareholders of Quantell, Inc. and Intaset Technologies Corporation. Quantell and Intaset provided labor services to federal government agencies. In 2010, the Tuckers sold Intaset, but continued to have influence over its operations. From 2007 through 2013, the Tuckers and their co-conspirators fraudulently obtained more than \$30 million in federal contracts by falsely representing the eligibility of Quantell and Intaset as service-disabled and veteran-owned businesses. The service contracts awarded by the United States to Quantell and Intaset, as well as the SCA, required them to provide health and welfare benefits to the service contract employees hired to do the work for the federal government. From 2008 through 2012, the Tuckers stopped making benefit contributions to a health and welfare plan. Instead, the Tuckers and their co-conspirators created multiple shell entities that they used to divert more than \$1.4 million in SCA contributions for their own personal benefit. The Tuckers also attempted to evade income tax due.

This is a joint investigation with the Internal Revenue Service-Criminal Investigation, the Employee Benefit Security Administration (EBSA), the Defense Criminal Investigative Service, the Small Business Administration-OIG, and the Air Force Office of Special Investigations. *United States v. Tucker et al.* (D. Maryland)

Former Assistant Commissioner for the New York City Department of Housing Preservation and Development Sentenced for Accepting Bribes

On October 14, 2015, Wendell Walters was sentenced to 36 months in prison, and was ordered to pay \$2.5 million in restitution to New York City Housing Preservation and Development (HPD), for his role in a corruption scheme that defrauded the HPD. Walters previously pled guilty to charges of racketeering conspiracy and bribery.

HPD is the largest municipal developer of affordable housing in the United States. Walters, as a former HPD assistant commissioner, oversaw various programs that were aimed at enabling private property managers, developers, and nonprofits to build and rehabilitate buildings to provide affordable housing. Walters accepted more than \$2.5 million in bribes over more than a decade in exchange for helping contractors and developers obtain lucrative HPD-funded housing contracts throughout New York City.

This was a joint investigation with the FBI. *United States v. Wendell Walters* (E.D. New York)

Cuyahoga Falls Third-Party Administrator Sentenced to 46 Months in Prison for Embezzling More Than \$1.5 Million from Health Care Plans

On October 15, 2015, Robert Hartenstein was sentenced to 46 months in prison and ordered to pay restitution of more than \$1.5 million for his role in stealing from several health care plans that his company, Professional Benefits Association (PBA), managed. Hartenstein previously pled guilty to seven counts of theft of employee benefit funds. PBA, a third-party administrator, was hired by various companies to administer their health care benefit plans and pay their respective employees' health benefit claims. Hartenstein collected money from his clients intended to pay for health care benefits; however, from 2009 through 2010, Hartenstein used those funds to pay for bonuses, company operating expenses, luxury automobile leases, and a country club membership. Based on his conviction, Hartenstein is statutorily prohibited (debarred) from serving in any capacity on any employee benefit plan for 13 years.

This was a joint investigation with EBSA. *United States v. Robert Hartenstein* (N.D. Ohio)

Massachusetts Teamsters Steward Convicted at Trial of Hobbs Act Extortion

On November 17, 2015, James Deamicis, former International Brotherhood of Teamsters Local 82 Steward, was convicted of Hobbs Act extortion, attempted extortion, and extortion conspiracy. In an unrelated scheme, Deamicis pled guilty on November 30, 2015, to mail fraud and theft of government funds.

Deamicis extorted various entities in Boston, including hotels, event planners and catering companies (none of which had collective bargaining agreements with Local 82), and threatened to picket and disrupt their business if the entity did not hire him or his friends for unnecessary jobs. Deamicis's mail fraud and theft of government funds convictions relate to his unlawful receipt of more than \$41,000 in UI benefits when he was actually employed and not eligible to receive benefits.

This was a joint investigation with OLMS, EBSA, and the Boston Police Department. *United States v. James Deamicis* (D. Massachusetts)

Four Northern California Residents Sentenced to Prison for Roles in Unemployment and Disability Fraud Scheme

On October 1, 2015, Mohammad Nawaz Khan was sentenced to 12.5 years in prison for his lead role in a sophisticated Unemployment Insurance (UI) and disability benefits fraud scheme. On September 24, 2015, Mohammad Adnan Khan, Mohammad Shahbaz Khan, and Iqila B. Khan were each sentenced to between 60 and 108 months in prison for their role in the scheme. These defendants were ordered to pay restitution of more than \$1 million to the California Employment Development Department (EDD), jointly and severally.

From 1989 to 2012, Nawaz and his family members operated as farm-labor-related businesses in Yuba City, California. As part of their scheme, the Khans conspired to register their businesses with the California EDD and reported ghost employees with fake wages on quarterly wage reports to EDD without paying the required payroll taxes. The Khans were paid by the supposed employees with cash up front, and the employees subsequently filed and collected fraudulent UI and state disability benefits year-round based on their fictitious wages. The Khans also created and provided false pay stubs to the claimants so they could provide proof of employment at the Khans' businesses when filing their fraudulent UI claims. Furthermore, the Khans themselves fraudulently collected UI benefits based on fictitious wages.

This scheme caused a loss of more than \$14 million. To date, 23 individuals have pled guilty to various offenses connected to the scheme. Seventeen individuals who pled guilty purchased pay stubs with fake wages from the Khans so they could fraudulently collect UI or disability benefits.

This was a joint investigation with the Federal Bureau of Investigation (FBI) and EDD Investigations Division. *United States v. Mohammad Nawaz Khan et al.* (E.D. California)

Construction Company Agrees to Pay More Than \$8 Million for Its Role in a Disadvantaged Business Enterprise Scheme in New York.

On November 24, 2015, Granite Construction, Incorporated (GCI), a national construction and public works company that is publicly traded on the New York Stock Exchange, entered into a Non-Prosecution Agreement in which it accepted responsibility for a disadvantaged business enterprise (DBE) fraud scheme perpetrated by GCI's wholly owned subsidiary, Granite Construction Northeast, Incorporated (GCN), previously known as Granite Halmar Construction Company, Incorporated. Pursuant to the agreement, GCI will pay \$7.25 million in civil forfeiture to the federal government and an additional \$1 million to the Metropolitan Transportation Authority (MTA) Office of Inspector General (MTA-OIG).

The MTA awarded a contract to GCN as the prime contractor to perform the design and construction of a bus depot in Maspeth, Queens, New York. The project was, in large part, federally funded. The contract for the project required DBE participation and compliance. GCN and other companies conspired in a contractual arrangement to make it appear that a certified DBE company was performing the work outlined in the \$22 million subcontract it was awarded by GCN. In reality, the DBE company provided no commercially useful function as required by state and federal regulations, and served only as a front for the non-DBE company that actually performed the work. GCN paid the DBE company a \$500,000 fee for essentially processing payroll.

This was a joint investigation with the United States Department of Transportation - Office of Inspector General, the Internal Revenue Service - Criminal Investigation, and the MTA-OIG. *United States v. Granite Construction, Inc.* (E.D. New York)

More Than \$5 Million in Civil Damages Ordered Against Eight Defendants for Improper Unemployment Insurance Claims

On December 2, 2015, the Delaware Attorney General's Office notified the U.S. Department of Labor - Office of Inspector General that it had received the final civil judgment orders for the defendants in the Operation Treble case. Wells Griscom, Myrtice Womack, Jeffrey Holly, Joseph Watson, Likeythere Ross, Patrick Oldham, Michael Pasquale, and Martel Scott were all found to have violated the State of Delaware's False Claims and Reporting Act by submitting fraudulent Unemployment Insurance claims to the State of Delaware Department of Labor and Industry. Combined civil damages and penalties were awarded to the State of Delaware, Department of Labor and Industry in excess of \$5 million.

All of the subjects filed unemployment claims with the State of Delaware Department of Labor. While receiving unemployment benefits they all either obtained employment and failed to report the employment and wages or obtained employment and failed to report the full amount of wages earned. A portion of all of the unemployment benefits paid to these subjects was funded by the American Recovery and Reinvestment Act of 2009.

The State of Delaware, Department of Labor - Division of Unemployment Insurance v. Griscom, Womack, et al. (DE Superior)

Employee of Massachusetts Benefit Firm Sentenced for His Role in an ERISA Health Insurance Plan Scheme

On October 8, 2015, Mark Celentano, a former employee of HMA Direct, was sentenced to 36 months supervised release and ordered to pay more than \$1.2 million in restitution, joint and severally with his co-conspirators. Celentano was previously convicted of conspiracy, health care fraud, and obstruction.

HMA Direct was a Massachusetts benefits firm that operated a self-funded Employee Retirement Income Security Act (ERISA) covered health plan. HMA Direct used a questionnaire to identify employees with high health risk indicators in order to carve those employees from the self-funded benefit plan, thereby increasing its profit margin. To facilitate the scheme, HMA Direct owners and employees falsified records, provided false information to insurance companies and regulators, and assumed identities of insureds. Monies intended to fund participant claims were used to pay company expenses and personal expenses of HMA Direct's owner. Celentano, who worked in sales and marketing, was responsible for selling HMA products to clients. Celentano falsely promised clients lower premiums prior to any underwriting being conducted. Celentano participated in the carving out of high-risk participants and their placement on private insurance plans.

This was a joint investigation with EBSA, the FBI, and the United States Postal Inspection Service. *United States v. Mark Celentano* (D. Massachusetts)

Sentencing of Guatemalan National for the Aggravated Identity Theft Scheme of Active Member of the National Guard

On October 29, 2015, Noe Castillo was sentenced to 24 months in prison, and ordered to pay more than \$21,000 in restitution, for fraudulently obtaining Unemployment Insurance (UI) benefits. Castillo's sentence was based on his convictions for aggravated identity theft, wire fraud, passport fraud, theft of federal monies and false use of a Social Security Number.

Castillo, a Guatemalan National illegally present in the United States, stole the identity of a U.S. citizen who is a full-time member of the Florida National Guard, to unlawfully obtain a U.S. passport in order to work illegally and obtain UI benefits. Based on this illegal employment, Castillo received over \$32,000 in UI benefits, of which over \$21,000 was in federal extension American Reinvestment and Recovery Act funds.

This was a joint investigation with the United States Department of State - Diplomatic Security Service and the United States Department of Homeland Security, Homeland Security Investigations. *United States v. Noe Castillo* (D. Massachusetts)

Former Amtrak Police Officer and Labor Official in New York Sentenced for Stealing from the Amtrak Police Lodge

On November 12, 2015, Eric Givens was sentenced to 16 months in prison and ordered to pay restitution of \$127,000 for embezzling union funds.

Givens was employed as a police officer with Amtrak and was assigned to Penn Station in New York City. For seven years, Givens served as the elected treasurer of the Amtrak Police Lodge 189 Labor Committee, the national union for Amtrak police officers. At the same time, Givens served as the elected treasurer of Amtrak Police Lodge 189, Inc., a fraternal organization affiliated with the Labor Committee. As treasurer of both entities, Givens was the sole individual who handled financial matters. Givens stole more than \$120,000 from the Labor Committee and Lodge that he used for personal expenses, including travel, hotels, and entertainment.

This was a joint investigation with the Office of Labor Management Standards (OLMS). *United States v. Eric Givens* (S.D. New York)

Individual Pleads Guilty in Massachusetts to Using the Social Security Number of a Puerto Rico Resident to Illegally Obtain Benefits from Multiple Agencies

On November 12, 2015, Eddie Saez pled guilty to three counts of falsely using a Social Security number belonging to another individual to illegally obtain: (1) Supplemental Security Income (SSI) benefits; (2) Personal Care Attendant (PCA) benefits; and (3) UI benefits.

From January 2007 through February 2015, while assuming the stolen identity of a Puerto Rico resident, Saez applied for and received more than \$68,000 in SSI benefits from the Social Security Administration. In addition, Saez claimed to be employed as a PCA for himself using the victim's identity. As a result, from May 2011 through July 2012, Saez fraudulently received more than \$37,000 in payments from MassHealth (a Massachusetts Medicaid program) for PCA services he purportedly provided to the victim. In July 2012, MassHealth terminated the victim's PCA services. Finally, in August 2012, Saez, under his own identity, applied for UI benefits, falsely claiming that he had been laid off from employment as a PCA by the victim. Between August 2012 and August 2013, Saez fraudulently received more than \$20,000 in UI benefits.

This is a joint investigation with the Social Security Administration - Office of Inspector General and the United States Department of Health and Human Services - Office of Inspector General. *United States v. Eddie Saez* (D. Massachusetts)