



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.

Virginia Business Owner Sentenced for His Role in Scheme to Defraud H-1B Visa Program

On December 22, 2017, Raj Kosuri was sentenced to 28 months in prison and ordered to forfeit \$15 million for his role in a scheme to defraud the H-1B visa program.

Kosuri, an Indian national and U.S. legal permanent resident, used shell companies to apply for nearly a thousand fraudulent H-1B temporary foreign worker visas. More than a dozen of these shell companies, which claimed to provide information technology services, used the address of a vacant building in Danville, Virginia. Once the workers were illegally in the United States, Kosuri was paid millions of dollars by companies that actually employed the visa recipients.

Kosuri's wife, Smriti Jharia, is one of the immigrants he illegally sponsored. She pled guilty to falsely obtaining naturalization and agreed to immediately move back to India and give up her U.S. citizenship. This was a joint investigation with the U.S. Department of State and Homeland Security Investigations (HSI). *United States v. Kosuri et al.* (E.D. Virginia).

Information Technology Consultant Pleads Guilty to Charging Visa Applicants Approximately \$500,000 in Illegal Filing Fees

On January 9, 2018, Ramesh Venkata Pothuru, former owner and operator of Virgo, Inc., and Isync Solutions, Inc., pled guilty to wire fraud and visa fraud for his role in an employment-based visa scheme.

The investigation disclosed that between 2010 and 2013, Pothuru collected approximately \$450,000 in filing fees from workers he was sponsoring under the H-1B nonimmigrant worker visa program. Federal regulations prohibit employers from soliciting payments from H-1B nonimmigrant workers to cover the costs associated with filing fees. In addition, many of the H-1B nonimmigrant workers were also beneficiaries of permanent foreign labor certification applications filed by Pothuru. Permanent foreign labor certification filings typically involve costs of approximately \$2,000 in legal fees as well as \$1,500 for advertising placement. These fees are in addition to filing fees.

Pothuru collected these fees from the employees he sponsored for permanent foreign labor certification through his personal bank accounts. Pothuru subsequently submitted false applications in which he did not identify the fees that he collected from the beneficiaries.

This is a joint investigation with U.S. Department of State–Diplomatic Security Services (DOS-DSS) and Homeland Security Investigations (HSI). *United States v. Ramesh Venkata Pothuru* (E.D. Pennsylvania).

Tennessee Man Pleads Guilty to Leading Multi-Million-Dollar Health Care Benefits Scheme

On January 16, 2018, Bart Posey, owner of Springfield, Tennessee based Smart Data Solutions, LLC, (SDS), pled guilty to leading a multi-million-dollar health insurance fraud scheme that harmed thousands of victims across the country.

From January 2008 through March 2010, Posey, his wife, and three other co-conspirators participated in a nationwide health care scheme that defrauded more than 17,000 victims of more than \$28 million. Posey and his co-conspirators set up numerous entities, including SDS, to market and sell unauthorized health insurance plans. Posey duped consumers by selling an insurance product that was not backed by a legitimate underwriter, embezzling millions of dollars of insurance premiums paid to his company by victims, and denying legitimate health insurance claims. Posey used the premium payments to buy, among other things, a Harley Davidson motorcycle, a sports car, and college football tickets, and to pay off a \$500,000 personal mortgage. This is a joint investigation with EBSA, the FBI, the U.S. Postal Inspection Service, the U.S. Secret Service, and IRS Criminal Investigation. *United States v. Posey et al.* (M.D. Tennessee).

Kentucky Otolaryngologist Pays \$2.79 Million to Resolve False Claims Allegations

On January 18, 2018, Dr. Phillip Klapper and his wife, Patricia Klapper, entered into a settlement agreement with the United States. Under the terms of the agreement, the Klappers agreed to pay approximately \$2.79 million to settle claims of alleged improper billings under the Federal Employees' Compensation Act (FECA).

The United States contended that Phillip Klapper knowingly submitted false claims seeking reimbursement under FECA. It was alleged that the reimbursement claims falsely indicated that audiological tests had been performed by licensed and certified personnel when in fact the tests had been performed by personnel lacking such credentials, and/or the testing results had been altered to enable some claimants to appear to have hearing losses that they did not actually have.

In addition to the financial settlement, Klapper agreed to permanent exclusion from future participation in the FECA program. Under the terms of the settlement, Klapper made no admission of liability. This is a joint investigation with the U.S. Attorney's Office for the Western District of Kentucky and the Tennessee Valley Authority–Office of Inspector General. *United States, ex rel. Kimberly Cummings v. Phillip B Klapper, P.S.C., et al* (W.D. Kentucky).

Western New York Couple Sentenced in Connection with Fraudulent Receipt of More than \$1.2 Million in Workers' Compensation and Veterans Affairs Benefits

On December 5, 2017, Richard Klaffka and his wife, Cathleen Klaffka, were sentenced for crimes related to Richard Klaffka's fraudulent receipt of more than \$1.2 million in Office of Workers' Compensation Programs (OWCP) and U.S. Department of Veterans' Affairs (VA) disability compensation benefits between 2006 and 2017. Richard Klaffka was convicted of wire fraud and sentenced to 32 months in prison. Cathleen Klaffka was convicted of misprision of a felony and was sentenced to 36 months' probation.

In 2006, Richard Klaffka informed the VA that he was confined to a wheelchair and unable to engage in daily activities like walking, driving, and dressing himself. To promote the fraud, Cathleen Klaffka pushed Richard Klaffka in a wheelchair when attending appointments at a VA hospital in order to support her husband's false claims regarding his mobility limitations. Similarly, in order to obtain workers' compensation benefits from his employment with the United States Postal Service (USPS), Richard Klaffka falsely claimed that his mobility was limited due to a work-related injury at a USPS facility and that he was able to walk only with the assistance of a cane. An investigation revealed that Richard Klaffka was able to walk without assistance and regularly engaged in physical activities including hiking, riding a bike, and pitching iron horseshoes. This was a joint investigation with the United States Postal Service, Office of Inspector General (USPS-OIG), and the US Department of Veterans Affairs, Office of Inspector General (VA-OIG). *United States v. Klaffka et al.* (W.D. New York).

Fiat Chrysler's Former Vice President Pleads Guilty to Conspiracy to Bribe Senior United Automobile Workers Officials

On January 22, 2018, Alphons Iacobelli, former vice president for employee relations at Fiat Chrysler Automobiles, LLC (FCA), and onetime lead negotiator for the collective bargaining agreements between FCA and the United Automobile Workers (UAW), pled guilty to conspiring to commit violations of the Labor Management Relations Act.

Iacobelli admitted that he and other FCA executives had paid \$1.5 million to senior UAW officials in an effort to obtain benefits, concessions, and advantages for FCA in the negotiation and implementation of the collective bargaining agreements between FCA and the UAW. The illegal payments included paying off the mortgage on a senior UAW official's home, first-class airline travel, designer clothing, furniture, jewelry, and custom-made watches.

In August 2014, Iacobelli authorized the expenditure of more than \$30,000 for a party for a senior UAW official held at the FCA-UAW World Class Manufacturing Academy in Warren, Michigan. The expenditure included charges for "ultra-premium" liquor, more than \$7,000 worth of cigars, and more than \$3,000 worth of wine with custom labels in honor of the UAW official. This was a joint investigation with the FBI, IRS, and Office of Labor-Management Standards (OLMS). *United States v. Alphons Iacobelli* (E.D. Michigan).

Four Former Executives of Los Angeles Nonprofit Sentenced for Embezzlement, Other Charges

In December 2017, Sophia Esparza, Thomas Baiz, Silvia Gutierrez, and Michael Tompkins, former executives of the Chicana Service Action Center (CSAC), were sentenced for their roles in embezzling and misappropriating millions of dollars in public funds, which included Workforce Investment Act (WIA)

funds. In their plea agreements, they collectively agreed to pay more than \$10 million in restitution. Esparza, the former CSAC executive director, was sentenced to 6 years in state prison.

CSAC, a former WIA grantee, was a Los Angeles-based nonprofit organization that had provided services to domestic violence victims, the homeless, and the unemployed since 2003.

Together, Esparza and her co-defendants fraudulently billed for services that were never performed and stole public funds for their own personal use. They misappropriated funds by using the money to rent luxury apartments, a home, a yacht, as well as to purchase sports cars, professional sports season tickets, and to cover other personal expenditures in support of their lavish lifestyles. This was a joint investigation with Los Angeles County District Attorney's Office. *The People of the State of California v. Sophia Esparza et al.*

California Man Sentenced to Prison for Mail and Wire Fraud

On January 8, 2018, Nikolai Monastyrski, of Folsom, California, was sentenced to 57 months in prison for mail and wire fraud involving unemployment insurance benefits falsely obtained from Iowa Workforce Development (IWD).

Monastyrski, a Russian national who became a naturalized U.S. citizen during the period in which he committed the fraudulent activity, pled guilty to seven counts of mail fraud and seven counts of wire fraud, all involving false and fraudulent applications submitted to IWD for unemployment insurance benefits. Monastyrski falsely stated that several non-existent businesses were operating in Iowa and employing workers. He then used the identification of the false workers to apply for and obtain unemployment benefits. Monastyrski resided in California at the time of the fraudulent activity. Monastyrski also defrauded the unemployment insurance programs in Illinois and Pennsylvania. Monastyrski was ordered to pay restitution in excess of \$390,000 to the the IWD, the Illinois Department of Employment Security (IDES), and the Pennsylvania Department of Labor and Industry (PDLI). The IWD, the IDES, the California Employment Development Department, and the PDLI assisted in this investigation. *United States v. Nikolai Monastyrski* (S.D. Iowa).

Jury Convicts Job-Staffing Company Owners of Selling Bogus Training Certificates

On December 11, 2017, following a four-day trial, a jury convicted Erick Powell, a former operator and co-owner of the National Vocation Group (NVG) job-staffing company, on one count of wire fraud for fraudulently collecting payments for fake Occupational Safety and Health Administration (OSHA) training certificates. A second defendant and co-owner, Ahmad McCormick, pled guilty to wire fraud on August 31, 2017, for his role in the scheme.

Powell and McCormick operated their fraudulent job-staffing company in Atlanta, Georgia, from August 2015 through October 2015. The two co-conspirators used online recruitment websites to advertise open and available jobs in the housekeeping and maintenance industries. These advertisements falsely represented that NVG had existing contracts with commercial cleaning companies throughout the Atlanta area, that the jobs paid above-average wages of up to \$17 per hour, and that NVG could place its clients in these high-paying jobs.

When NVG's job applicant clients were interviewed by Powell, McCormick, and other employees of NVG, the applicants were told that, to be hired for the advertised jobs, they would have to pay \$349 for certain OSHA training. The applicants were falsely told that federal law required housecleaning and

maintenance workers to take the OSHA General Industries Course before starting work in the advertised jobs. Hundreds of applicants paid the defendants the \$349 fee based on NVG's false representations, took the OSHA course, and received fake certificates. None of those applicants received the high-paying jobs they were promised. *United States v. McCormick et al.* (N.D. Georgia).



Outside of McCormick and Powell's Fraudulent Staffing Business

South Louisiana Business Owner Convicted of Obstructing DOL Investigation and Failing to Properly Pay His Employees

On January 25, 2018, Michael Langston, owner of Langston Construction and Composite Architectural Design Systems, of Gonzales, Louisiana, pled guilty to obstruction of a federal proceeding and willful failure to pay overtime. Between 2013 and 2016, Langston employed approximately 150 employees and knowingly failed to pay correct overtime pay, totaling more than \$240,000. The investigation determined that Langston had instructed at least one of his employees to provide the DOL Wage and Hour Division (WHD) with wage and hour records which had been altered to hide the true number, identities, and wages of employees working for Langston.



Langston Construction office location

This is a joint investigation with the WHD. *United States v. Michael L. Langston, Jr.* (M.D. Louisiana).

New Hampshire Brother and Sister Plead Guilty to Violating The Fair Labor Standards Act and Obstructing Justice

On December 15, 2017, Kevin Corriveau, owner of Kevin Corriveau Painting, pled guilty to one count of obstruction of justice in connection with an investigation by DOL. On December 21, 2017, Sharon Mercuri, Corriveau's sister and office manager, pled guilty to violating Fair Labor Standards Act overtime wage and record-keeping requirements.

From 2007 through April 2011, Corriveau directed employees to report only non-overtime work on payroll and time records to prevent overtime violations from being discovered. In 2011, Corriveau himself also falsely stated to New Hampshire Department of Labor investigators that his employees did not work overtime on a Needham, Massachusetts, construction project. During the investigation of the Needham construction project, Corriveau directed the destruction of historical timecards as well as the creation of new timecards that falsely reported only 40 hours of work per week.

In 2013, in connection with a civil suit filed against him by DOL for alleged overtime violations, Corriveau knowingly created and provided the Department's attorneys with fraudulent invoices and an altered change order that falsely stated that his employees did not work overtime on the Needham project.

This was a joint investigation with the Employee Benefits Security Administration (EBSA) and the Office of the Solicitor. *United States v. Sharon Mercuri, United States v. Kevin Corriveau, Solis v. Kevin Corriveau Painting, Inc., et al.* (D. New Hampshire).

Houston Man Convicted of Using Stolen Identities to Defraud DOL and IRS

On January 8, 2018, Michael Muniz was convicted of conspiracy to commit access device fraud for his role in an unemployment insurance (UI) fraud scheme. Muniz, along with other co-conspirators, used the personal identifiable information of hundreds of individuals to file fraudulent claims for UI benefits and fraudulent tax returns. Muniz and his co-conspirators would then arrange to have the fraudulently obtained UI funds loaded onto state UI debit cards that were delivered to addresses under their control. Through the scheme, Muniz and his co-conspirators stole approximately \$361,000 from the Texas Workforce Commission in the form of fraudulently obtained UI benefits and \$365,361 from the U.S. Treasury via fraudulent tax refunds.

This is a joint investigation with Internal Revenue Service-Criminal Investigation Division, the Federal Bureau of Investigation, U.S. Postal Inspection Service, U.S. Postal Service - Office of Inspector General, the Social Security Administration–Office of Inspector General, and the Texas Workforce Commission. *United States v. Michael Muniz* (S.D. Texas).