



*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.

## **Houston CEO Gets More than 19 Years in Prison for \$14 Million Health Care Fraud Scheme**

On June 1, 2018, Jeffrey Rose, the CEO of Team Work Ready (TWR), was sentenced to 233 months in prison and ordered to pay more than \$14.5 million in restitution for his role in defrauding DOL's Office of Workers' Compensation Programs (OWCP).

A federal jury convicted Rose, along with his wife—Chief Financial Officer Pamela Annette Rose—and the clinic's vice president of operations, Frankie Lee Sanders, of a health care fraud scheme on October 17, 2016.



*Team Work Ready, Inc. Office Building*

TWR had 10 clinics located in Alabama, Georgia, Louisiana, Memphis, and Texas. Rose and others conspired to submit false and fraudulent claims to OWCP for physical therapy services never provided. Claims were submitted for one-on-one physical therapy when patients were playing video games, independently using treadmills and bicycles, participating in group aqua therapy, and watching television. One patient testified that unlicensed staff told him to do exercises on both of his arms although he had injured only his left elbow and to use the electronic massage chair and the treadmill for his injury. Testimony from former TWR employees revealed that the Houston clinic had as many as 30 to 60 patients a day and that employees did not know what the patients were doing in the main treatment area because they were busy in the back doing massages.

This was a joint investigation with the U.S. Postal Service (USPS)–OIG, the U.S. Department of Veterans Affairs (VA)–OIG, the U.S. Department of Homeland Security (DHS)–OIG, and the IRS Criminal Investigation Division (IRS-CI). *United States v. Jeffrey Eugene Rose Sr.* (S.D. Texas)

### **Former CEO of Tennessee-Based Telemarketing Company Sentenced to Federal Prison**

On July 2, 2018, Timothy Thomas, 55, of Brentwood, Tennessee, was sentenced to 66 months in prison for marketing and misrepresenting health insurance plans. Thomas was ordered to forfeit \$1.5 million and to pay more than \$2.5 million in restitution to the victims of the fraud scheme.

Thomas operated and controlled United Benefits of America, LLC, which was also known as United States Benefits and Health Care America. From at least 2007 to 2010, Thomas hired salespeople to sell so-called “association memberships” created by third-party companies such as International Association of Benefits and Consumer Driven Benefits of America. These memberships included bundled benefits, such as limited-benefit health plans, prescription drug discount cards, accidental death and dismemberment benefits, and lifestyle benefits, such as rental car discounts. Thomas targeted sales to customers who had been denied traditional health insurance because of preexisting conditions. The sales script used by Thomas portrayed the memberships as equal in quality to traditional group health insurance obtained via employment, omitting the fact that the limited-benefit health plans left members with the vast majority of the financial risk.

This was a joint investigation with the FBI, the United States Postal Inspection Service, and the Employee Benefits Security Administration (EBSA). *United States v. Timothy W. Thomas* (M.D. Tennessee)

### **Houston Pharmacist Sentenced to Federal Prison for Role in Multimillion-Dollar Health Care Fraud Scheme**

On June 29, 2018, Nermin Awad El-Hadik, owner of Hope Pharmacy, Inc., in Houston, Texas, was sentenced to 60 months in prison and ordered to pay the U.S. Department of Labor more than \$5.3 million in restitution for a health care fraud scheme.

From March 2015 to December 2015, El-Hadik paid kickbacks to Garry Wayne Craighead. Craighead, a chiropractor, organized and controlled multiple health care–related entities, including eight clinics in Texas that derived substantial revenue from DOL health care benefit programs. El-Hadik paid Craighead cash for patient referrals of federally insured employees in need of prescription services and for his influence in encouraging physicians to prescribe compounded medications for patients, which would then be furnished at Hope Pharmacy. El-Hadik paid more than \$5.3 million to Craighead in the kickback scheme in exchange for the referrals.

This is a joint investigation with the U.S. Army Criminal Investigation Command, USPS-OIG, the FBI, and IRS-CI. *United States v. Nermin Awad El Hadik* (W.D. Texas)

## California Labor Crew Boss Sentenced to More Than 3 Years in Prison for Unemployment Insurance Fraud Scheme

On June 4, 2018, Fernando Alanis, 55, of Rio Grande City, Texas, was sentenced to 39 months in prison for his role in an Unemployment Insurance (UI) fraud scheme.

Alanis and others participated in a scheme to defraud the California Employment Development Department (EDD) of UI benefits. Alanis was a supervisor with a local farm labor contractor that provided contract labor for growers and packers.

Alanis provided the personally identifiable information of individuals, including his relatives and acquaintances, to workers, some of whom were undocumented, so they could obtain employment with the farm labor contractor under the assumed identities. They then worked as seasonal farm laborers and earned wages. When the workers were laid off at the end of the season, with Alanis's knowledge and assistance, false and fraudulent UI claims were filed in the names of the assumed identities. This caused EDD to send UI checks and benefit debit cards to the addresses of the owners of the assumed identities, who were not entitled to the benefits.

The individuals lending their identities would either share some of the benefits with Alanis or pay Alanis in advance of the UI claims being made. Alanis's direct and indirect conduct resulted in a loss to EDD of more than \$450,000.

This was a joint investigation with Homeland Security Investigations and EDD. *United States v. Fernando Alanis* (E.D. California).

## Two Miami, Florida, Residents Sentenced for Their Roles in an Identity Theft UI Fraud Scheme

In June 2018, Romario Mathieu and James St. Louis were sentenced to 36 and 24 months in prison, respectively. Mathieu was ordered to pay more than \$265,000 in restitution and St. Louis was ordered to pay more than \$7,000. In April 2018, Mathieu and St. Louis each pleaded guilty to one count of conspiracy to commit access device fraud and one count of aggravated identity theft for their roles in a conspiracy to defraud the State of Florida Unemployment Trust Fund.

From 2013 to 2015, Mathieu and St. Louis conspired to steal the personally identifiable information of numerous individuals for the purpose of filing fraudulent State of Florida UI claims. Both defendants utilized the State of Florida Web-based portal to submit bogus unemployment applications and bank routing and account numbers for accounts they controlled. Once these applications were approved, the state directed benefit payments to the accounts and Mathieu and St. Louis used debit cards to withdraw funds to which they were not entitled.

This was a joint investigation with the State of Florida Department of Economic Opportunity and the North Miami Beach Police Department. *United States v. Romario Mathieu and James St. Louis* (S.D. Florida)

## Operator of National Vocation Group Job-Staffing Company Sentenced for Wire Fraud

On July 2, 2018, Ahmad McCormick was sentenced to 36 months in prison for his role in a scheme to fraudulently collect payments for fake Occupational Safety and Health Administration (OSHA) training certificates. A second defendant, Erik Powell, pled guilty to wire fraud on December 11, 2017, for his role in the scheme.

McCormick and Powell operated a job-staffing company, National Vocation Group (NVG), located 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. NVG represented that it could place its clients in jobs that paid up to \$17 per hour.



*Outside of McCormick and Powell's fraudulent staffing business*

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. Ahmad McCormick* (N.D. Georgia)

## Former UAW Official's Wife Sentenced to Prison for Tax Fraud Scheme

On July 13, 2018, Monica Morgan, the wife of the late United Auto Workers (UAW) International Vice President General Holiefield, was sentenced to 18 months in prison, fined \$25,000, and ordered to pay restitution of more than \$190,000, for felony tax fraud.

Morgan owned and operated the companies Monica Morgan Photography and Wilson's Diversified Products based in Detroit, Michigan. Morgan's companies received hundreds of thousands of dollars from the UAW-Chrysler National Training Center during the years when Holiefield was a UAW vice president. Morgan's companies also received significant payments from Holiefield's charity, known as the Leave The Light On Foundation.

Former Fiat Chrysler Automobiles (FCA) Vice President Alphons Iacobelli and former FCA Financial Analyst Jerome Durden each acknowledged using Wilson's Diversified Products and the Leave the Light On Foundation to conceal payments made on behalf of FCA to UAW Vice President Holiefield.

Both Iacobelli and Durden have previously pled guilty to their participation in the criminal conspiracy, along with former FCA executive Michael Brown and former senior UAW officials Virdell King and Keith Mickens.

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

### **Mozambique Labor Trafficker Sentenced for Visa Fraud**

On June 20, 2018, Nelia Angelina Mulembwe, 37, residing in Plano, Texas, was sentenced to 6 months in prison and ordered to pay more than \$100,000 in restitution to the victim, a Mozambique national. In February 2018, Mulembwe pled guilty to one count of fraud and misuse of visas, permits, and other documents.

Mulembwe employed the Mozambique national as a nanny and housekeeper in Mozambique. In 2015, Mulembwe applied for a visa for the victim to accompany Mulembwe and her children to the United States. Mulembwe falsely represented the victim as a student who would travel to the United States for a month-long visit. However, after arriving in the United States in October 2015, the victim stayed in Mulembwe's apartment, where she slept on an air mattress on the floor in the children's room and worked constantly with no time off until agents from DOL OIG and the FBI intervened in June 2017. While being held captive, the victim's family in Mozambique received approximately \$70 per month while the victim received no compensation for her services.



*Air mattress where victim slept*

This is a joint investigation with the FBI and the U.S. Department of State–Diplomatic Security Service. *United States v. Nelia Angelina Mulembwe* (E.D. Texas)

## California Man Sentenced to 33 Months in Prison for Defrauding Longshore Union Plan

On July 2, 2018, Oganeg Doganyan was sentenced to 33 months in prison for his role in a scheme to defraud the International Longshore and Warehouse Union–Pacific Maritime Association’s (ILWU-PMA) Health and Welfare Plan (Health Plan).

Doganyan and co-conspirators Nik Nikbakht and Shawn Chait incorporated diagnostic companies used to submit claims for reimbursement to the Health Plan for studies and tests that were not medically necessary. Nikbakht recruited Health Plan members to receive diagnostic medical services and testing by offering members cash payments in return for receiving diagnostic medical services.

Doganyan arranged for the Health Plan reimbursement checks, proceeds from the fraud, to be deposited into Doganyan Plumbing, Galaxy Escrow, and Imperial Car Wash—companies Doganyan exercised control over. Doganyan then transferred payments from these companies to Nikbakht, Chait, and his personal account. The payments were made to appear as legitimate business transactions engaged in by those companies.

On May 18, 2018, Chait was sentenced to 12 months and 1 day in prison for his role in the scheme. Nikbakht is scheduled to be sentenced in December 2018.

This was a joint investigation with the FBI, EBSA, and IRS-CI. *United States v. Oganeg Doganyan* (C.D. California).

## Former Massachusetts and Rhode Island Union Officer Sentenced for Embezzlement

On July 17, 2018, Henry Clay Green Sr., was sentenced to 6 months in prison and 12 months’ probation for embezzling from a labor union.

From May 19, 2011 to July 14, 2016, Green was secretary-treasurer of Local 26 of UNITE HERE (Union of Needletrades, Industrial, and Textile Employees and Hotel Employees and Restaurant Employees Union), a labor union representing hospitality industry workers in Massachusetts and Rhode Island. In that capacity, Green exercised control over various aspects of Local 26’s financial operations and used his position to embezzle more than \$170,000 from the organization for his own use. Green pled guilty to embezzlement from a labor union on December 1, 2017. As a result of Green’s conviction, he is prohibited from serving or being permitted to serve in most union positions and capacities including dealings with the union’s employee benefit plans.

This was a joint investigation with OLMS and EBSA. *United States v. Green* (D. Massachusetts)

## North Texas Woman Sentenced to 12 Months in Prison and Ordered to Pay More Than \$800,000 in Restitution to the Department of Labor

On July 9, 2018, Brenda Anderson, of Grand Prairie, Texas, was sentenced to 12 months in prison and ordered to pay \$831,432 in restitution for her role in a health care fraud scheme that defrauded OWCP.

Brenda Anderson was employed by Union Treatment Centers, LLC (UTC). Brenda Anderson controlled and operated Best First Administration (BFA), a durable medical equipment company affiliated with UTC. In July 2011, upon termination of her employment with UTC, Brenda Anderson retained UTC patient information on OWCP claimants. From July 2011 through June 2015, Brenda Anderson submitted fraudulent invoices to OWCP for durable medical equipment through her own company.



*\$375,000 in cash seized from the Anderson Residence*

Brenda's husband, Tshombe, opened two separate companies through which he billed OWCP using the same claimant information as BFA. In total, Anderson and her co-conspirators submitted more than \$26 million in inappropriate claims to OWCP.

This is a joint investigation with USPS-OIG. *United States v. Brenda Anderson* (N.D. Texas)

## Virginia Company Agrees to Pay \$625,000 to Settle False Claims Act Lawsuit

On June 1, 2018, the U.S. Attorney's Office for the Eastern District of Virginia (USAO-EDVA) announced that James River Air Conditioning Company (James River), located in Richmond, VA, agreed to pay \$625,000 to the United States to settle a federal civil fraud lawsuit alleging that it underpaid its workers and submitted false certified payroll reports for work it performed on federal construction and renovation projects.

James River subcontracted to perform plumbing, heating, ventilation, and air-conditioning work on seven Richmond-area projects, including work performed on U.S. military installations and at the McGuire Veterans Affairs Medical Center. The Davis-Bacon and Related Acts require that contractors on federal projects submit weekly payroll reports to the federal government certifying that they correctly classified their workers according to work actually performed, and that workers were paid not less than prevailing wages and benefits for each classification, as determined by the U.S. Department of Labor. DOL-OIG, in cooperation with USAO-EDVA and other law enforcement partners, initiated an investigation after a *qui tam* (or whistleblower) lawsuit was filed under the provisions of the federal False Claims Act.

The lawsuit alleged that between 2012 and 2015, James River did not pay the proper prevailing wages to its workers and intentionally misclassified its skilled workers into lower-paid labor categories, such as helpers or laborers, in order to underpay them. It was also alleged that James River threatened to terminate workers who complained about underpayment of wages and fringe benefits for work they performed on federal contracts.

The civil claims settled by this False Claims Act settlement agreement is neither an admission of liability by James River nor a concession by the United States that its claims are not well founded.

This was a joint investigation with the Air Force Office of Special Investigations, the Defense Criminal Investigative Service, the Army Criminal Investigation Command, and VA-OIG. *United States ex rel. Nathan Kirchgessner v. James River Air Conditioning Company* (E.D. Virginia)

### **Wisconsin Man Pleads Guilty to Bringing in and Harboring Certain Aliens**

On July 31, 2018, Harshinder Bhatia, 58, pled guilty for his role in harboring a foreign worker in the United States for financial gain. Bhatia admitted to employing undocumented workers at his gas stations in Wisconsin, paying them in cash, and not reporting their employment to the state. At least one of the victims worked in violation of federal labor standards and had to live in housing provided by Bhatia.

This case was investigated by members of the Federal Human Trafficking Task Force, which includes special agents and detectives from the following agencies: U.S. Immigration Customs Enforcement's (ICE) Homeland Security Investigations (HSI), FBI, Department of Labor, and the Milwaukee Police Department. *United States v. Harshinder P. Bhatia* (E.D. Wisconsin)