

Department of Justice
U.S. Attorney's Office
District of Colorado

FOR IMMEDIATE RELEASE

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Former Thornton Woman Sentenced for Defrauding Health Care Clients

DENVER – Kimberly S. Cileno, age 47, formerly of Thornton, Colorado, was sentenced on August 29, 2016 by U.S. District Court Judge Raymond P. Moore to serve 24 months in federal prison for health care fraud, Acting United States Attorney Bob Troyer, James Purcell, Regional Director of the Kansas City Regional Office for the U.S. Department of Labor, Employee Benefits Security Administration and Abel Salinas, Special Agent in Charge of the Los Angeles Regional Office of the United States Department of Labor, Office of Inspector General announced. Following her prison sentence, Cileno was ordered to serve 3 years on supervised release. Cileno was also ordered by Judge Moore to pay \$230,831.14 in restitution to the victims.

According to the facts contained in the indictment and plea agreement, Cileno was the owner and operator of EZ Flex, Inc. EZ Flex was a third-party administrator of cafeteria plans, also known as flexible spending plans.

Approximately 36 employers hired the defendant to administer the cafeteria plans they offered to a total of over 500 employees. The employers forwarded the designated deductions to the defendant, and the participants submitted claims for reimbursement of eligible expenses directly to the defendant. The defendant paid these claims by check, made direct deposits into the respective participant's bank account, or provided reimbursement of claims through debit cards.

Amcheck, a payroll and human resources administrator located in Denver, recommended the services of EZ Flex to its clients looking to establish flexible spending plans for their employees. Amcheck itself contracted with EZ Flex for administration of its own flexible spending plan.

On September 28, 2012, Amcheck contacted the Department of Labor's Employee Benefits Security Administration (EBSA), to report erratic claims administration by EZ Flex, Inc. Examples of this erratic behavior included reimbursements that were either paid in incorrect amounts or not paid at all, and a lack of responsiveness to clients via telephone or email.

Investigation revealed that between January 12, 2011, and December 10, 2012, the defendant spent over \$230,000 in EZ Flex client's funds on personal purchases, such as home renovations, a vacation, payments to Nutrisystem, and to a knife manufacturer. The defendant also withdrew cash from the flexible spending account, wrote checks from that account for home improvements, and transferred money from that account to a relative's bank account.

“The people of Colorado should be heartened to hear that our elite prosecutors and Department of Labor investigators keep a close eye on these practices and ensure we punish this kind of rank theft,” said Acting U.S. Attorney Bob Troyer.

“This criminal action demonstrates the Labor Department’s resolve to vigorously enforce the laws to ensure that those who scheme, misappropriate, misrepresent and deceive employee benefit plans for their own financial gain are brought to justice,” said James Purcell, Regional Director of the Kansas City Regional Office for the U.S. Department of Labor, Employee Benefits Security Administration.

“Kimberly Cileno embezzled over \$200,000 from participants’ health care funds. Cileno’s conduct deprived plan participants of money they set aside to pay for their health and dependent care expenses. We will continue to work with the Employee Benefits Security Administration and our other law enforcement partners to safeguard health care benefit programs for America’s workforce,” said Abel Salinas, Special Agent in Charge of the Los Angeles Regional Office of the United States Department of Labor, Office of Inspector General.

This case was investigated by agents with the Department of Labor, Employee Benefits Security Administration and Department of Labor, Office of Inspector General.

The case was prosecuted by Assistant United States Attorney Martha Paluch.