



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

# OIG Investigations Newsletter

February 1 – March 31, 2017  
Volume IX

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 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.

## **Medical Clinic Owner Convicted of Receiving Kickbacks for Referring OWCP Patients to Dallas Area Surgical Hospital**

On February 17, 2017, Israel Ortiz pled guilty to one count of conspiracy to pay and receive health care bribes and kickbacks. Ortiz was 1 of 21 indicted individuals in this massive health care fraud conspiracy involving patient referrals to Forest Park Medical Center (FPMC).

Ortiz created a business called Kortmed that specialized in both state and federal workers' compensation injury claims. This company acted as a patient referral service. Kortmed received requests directly from patients and primary care physicians. Kortmed would refer patients to specialty doctors and hospitals for surgery. It also assisted with completing preauthorization documents for surgeries. FPMC was paying Kortmed to refer patients for surgery at its facility.

FPMC was an out-of-network hospital located in Dallas, Texas, that ceased operations in 2013. Founders and investors of the physician-owned FPMC, other executives at the hospital, and physicians, surgeons, and others affiliated with the hospital have been charged in a federal indictment with various felony offenses stemming from their payment and/or receipt of approximately \$40 million in bribes and kickbacks for referring certain patients to FPMC. As a result of the bribes, kickbacks, and other inducements, from 2009 to 2013, FPMC billed such patients' insurance plans and federal health care programs well over half a billion dollars and collected more than \$200 million in paid claims. *United States v. Beauchamp et al* (N.D. Texas)

## **South Florida Doctor Pleads Guilty to Misuse of Visa**

On March 29, 2017, Juan Carlos Pinzon Galvis, a medical doctor, pled guilty to one count of fraud and misuse of visas, permits, and other documents.

In August 2012, a petition for an H-1B visa was submitted on behalf of Pinzon Galvis by M.J.C. International Group LLC (MJC). According to documents filed with the State of Florida, an individual other than Pinzon Galvis was listed as MJC's registered agent and manager. In reality, Pinzon Galvis owned and operated MJC and submitted the H-

1B petition on his own behalf. The petition made material misrepresentations in that Pinzon Galvis would serve in a managerial role at MJC, when, in fact, Pinzon Galvis intended to come to the United States to perform plastic surgery.

Pinzon Galvis violated the terms of his H-1B visa by working for an employer other than MJC and by performing duties not mentioned in his related H-1B petition. Specifically, from his entry into the United States, Pinzon Galvis worked at Health and Beauty Cosmetic Surgery (HBCS), another company that he owned and operated in West Palm Beach, Florida. At HBCS, Pinzon Galvis performed medical procedures, such as surgeries, liposuction, facial filler injections, and surgical consultations.

This is a joint investigation with the Department of Homeland Security-Homeland Security Investigations (HSI) and the Department of State-Diplomatic Security Service (DSS). *United States v. Pinzon Galvis* (S.D. Florida)

### **Maryland Building Contractors and Union Official Sentenced for \$1.7 Million Embezzlement Scheme**

On February 27, 2017, Gary Cooper, the owner and chief executive officer of STS General Contracting, LLC (STS), based in Greenbelt, Maryland, was sentenced to 68 months in prison. In November 2016, a jury found Cooper guilty of stealing \$1.7 million from Local 657 of the Laborers' International Union of North America (LIUNA), conspiracy to make unlawful labor payments, conspiracy to commit wire and honest services fraud, and money laundering.

In February 2017, Anthony Frederick and Christopher Kwegan were also sentenced for their roles in the scheme. Frederick, the former LIUNA Local 657 business manager, and Kwegan, an official with STS, were sentenced to terms of incarceration of 48 months and 36 months, respectively. Cooper, Kwegan, and Frederick were each ordered to pay joint and several restitution of \$1.6 million to LIUNA and forfeiture of \$1.7 million.

From May 2013 to June 2014, Frederick directed \$1.7 million in Local 657 funds to STS for an unauthorized construction project without the knowledge or authorization of the Local 657 executive board or LIUNA officials. Cooper and Kwegan then directed part of the stolen funds from STS accounts toward a \$225,000 down payment and construction of a garage for a residential property Frederick acquired and gave Frederick's wife 50 percent ownership in a different construction corporation Cooper owned. Cooper and Kwegan also depleted an STS bank account containing only stolen Local 657 funds by withdrawing more than \$400,000 in cash, sending hundreds of thousands of dollars to third parties in Qatar, and using the remainder for personal items, entertainment, shopping trips, hotel stays, and overseas travel.

This was a joint investigation with Office of Labor Management and Standards (OLMS) and the FBI. *United States v. Frederick et al.* (D. District of Columbia)

### **Former Union Official Sentenced to Prison for Embezzling More Than \$1 Million from Virginia ILA Local**

On February 2, 2017, Robert Smith III, of Virginia Beach, was sentenced to 41 months in prison and ordered to pay more than \$1 million in restitution to International Longshoremen's Association (ILA) Local 970. Smith was the business agent and financial secretary for Local 970 from October 2002 until

April 2016, when he resigned amid an ILA internal audit, which uncovered that Smith had been operating a secret bank account to divert union funds for his personal use.

Beginning in March 2006, Smith used a bank account that was unauthorized and undisclosed to Local 970 to deposit and withdraw nearly \$1.1 million in dues payments and new member initiation fees. He then used the money for personal purchases, including gas, food, clothing, shoes, toys, entertainment, and home improvement supplies. Over the course of his decade-long scheme, Smith attempted to hide his crime by not filing annual financial disclosure forms with DOL. He then lied to OLMS officials who contacted him about the missing disclosure forms, by claiming that he intended to file them when in fact he never intended to do so.

This was a joint investigation with OLMS, the FBI, and the Norfolk Police Department. *United States v. Robert Smith* (E.D. Virginia)

### **Two New York Men Sentenced for Conspiracy to Embezzle from an Employee Benefit Plan**

On March 15, 2017, Nicholas Farnsworth was sentenced to 3 years' probation in relation to his guilty plea for conspiracy to embezzle from an employee benefit plan. Farnsworth was ordered to pay restitution in the amount of \$1,000,000 (jointly and severally) to the International Brotherhood of Teamsters (IBT) Local 282 Health Care Plan. Toni Thompson was sentenced on January 23, 2017, to 3 years' probation and also ordered to pay \$1,000,000 (jointly and severally) in restitution to the IBT Local 282 health care plan.

Farnsworth, Thompson, and others were convicted for their roles in operating a scheme, which defrauded the IBT Local 282 benefits plans. Thompson was the named owner of Greenwood 2 Trucking, a union company. Farnsworth was the named owner of Rainbow Transportation and the son of John Farnsworth, who was the co-owner of Greenwood 2 Trucking, Rainbow Transportation Corp., Nicholas J LLC, and Marky OG LLC. The double-breasting scheme was perpetrated by officials at Rainbow Transport (nonunion company), Greenwood 2 (union company), Nicholas J LLC (nonunion company), and Marky OG LLC (nonunion company). Employees were paid in cash well below the proper union-scale wages. All the companies were actually owned, operated, and controlled by John Farnsworth for the purpose of circumventing obligations to the various Local 282 Employee Retirement Income Security Act funds.

This was a joint investigation with the Department of Transportation–OIG, Employee Benefits Security Administration (EBSA), and the New York City Business Integrity Commission. *United States v. Tripodi et al.* (E.D. New York)

### **New York Company Owner and Fund Trustee Sentenced for Kickback Scheme**

On March 1, 2017, Robert Fabrizio was sentenced to 8 months' incarceration and 12 months' supervised release and was ordered to pay more than \$740,000 in restitution following his convictions for money laundering conspiracy and kickbacks to influence operations of an employee benefit plan.

Fabrizio owned and controlled Three Generations, a union contractor that signed a collective bargaining agreement with Local 8A-28A, Metal Polishers/Refinishers, Painters, Production and Novelty Workers, Sign Pictorial and Display, Automotive Equipment Painters Workers Union (Local 8A-28A). Fabrizio

served as an employer trustee of the Local 8A-28A welfare fund. Fabrizio conspired to facilitate a kickback scheme whereby the third-party administrator (TPA) of the welfare fund paid him in excess of \$740,000 over several years, through a shell company he controlled, to ensure the TPA maintained his contract with the fund. Fabrizio shared these proceeds with co-conspirator Hector Lopez, the president of Local 8A-28A and chairman of the board of trustees.

Lopez was previously sentenced to 48 months' incarceration following his convictions for conspiracy to commit mail and wire fraud, and filing a false tax return. In addition, Lopez was ordered to pay more than \$800,000 in restitution and forfeit an additional \$370,000.

This was a joint investigation with the Internal Revenue Service-Criminal Investigation Division, EBSA, and OLMS. *United States v. Robert Fabrizio, United States v. Hector Lopez* (E.D. New York)

### **Hotel Owner Pleads Guilty to Making False Statement During a Wage and Hour Division Investigation**

On February 2, 2017, defendant Mehul "Mike" Patel pled guilty to one count of false statements. The charge stemmed from statements Patel made to the Wage and Hour Division during an investigation of Fair Labor Standards Act violations at motels owned by Patel. Patel provided documentation to the government indicating that he properly paid his employees in accordance with federal requirements when he actually made the employees pay a majority of their wages back to him. Back wages owed to Patel's employees and former employees due to his fraud are in excess of \$200,000.

This is a joint investigation with HSI. *United States v. Patel* (W.D. Michigan)