



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 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.

Atlanta Workforce Development Agency Enters \$1.85 Million Settlement for False Certification and Fraudulent Distribution of Funds

On October 20, 2016, the U.S. Department of Justice, on behalf of DOL, entered into a \$1.86 million settlement agreement with the City of Atlanta to resolve allegations that the Atlanta Workforce Development Agency (AWDA) made false certifications to DOL relating to federal grant funds it disbursed pursuant to the Workforce Investment Act (WIA) On-the-Job Training (OJT) program.



Atlanta Workplace Development Agency building where WIA grant funds were distributed fraudulently

A joint federal investigation into the matter determined that the AWDA paid city and local-area employers with federal WIA funds, knowing that funds were not being utilized to attract and train new job seekers in the local community, as was the intent of the OJT program. Instead, employers used the funds to pay existing employees and to hire and pay new employees who were already highly skilled and/or professionally licensed in their trades.

This was a joint investigation with the FBI and the IRS Criminal Investigation (IRS-CI). (N.D. Georgia)

Texas CEO, CFO, and Company VP Convicted at Trial for \$9.5 Million Health Care Fraud

On October 17, 2016, Jeffrey Rose, chief executive officer of Team Work Ready (TWR); chief financial officer Pamela Rose; and vice president of clinic operations Frankie Sanders were convicted of conspiracy to commit health care fraud, health care fraud, and wire fraud, for their roles in a scheme to bill the Federal Employees' Compensation Act more than \$9.5 million for physical therapy services that they knew TWR had not provided. In addition, the jury convicted Jeffrey and Pamela Rose on money laundering charges for attempting to hide \$700,000 in illicit proceeds by moving the money into accounts of various shell companies they controlled.

On October 18, 2016, the same jury heard evidence on forfeiture matters and returned a special verdict forfeiting more than \$220,000 of assets belonging to the defendants, including bank accounts and real property.

This was a joint investigation with the United States Postal Service-OIG, IRS-CI, United States Department of Veterans Affairs-OIG, and United States Department of Homeland Security- OIG. *United States of America v. Jeffrey Eugene Rose Sr., Pamela Annette Rose a/k/a Pamela Annette Archibald, Frankie Lee Sanders* (S.D. Texas)

New Jersey Union President Sentenced to Prison for Embezzlement

On November 22, 2016, Assane Faye, founder and former president of the United Security and Police Officers of America (USPOA), was sentenced to 37 months in prison and ordered to pay approximately \$325,000 in restitution for stealing more than \$315,000 in union funds and defrauding the New Jersey Unemployment Insurance (UI) program of more than \$7,000.

From 2010 to 2013, Faye put his former paramour on the union payroll in a “no-show” job as a union organizer. As a result, the paramour received weekly salary payments; allowances for medical coverage; and disbursements for mileage, tolls, parking, and vehicle tune-ups, all despite the fact that she had no union organizing experience and did not perform any such duties for USPOA. In fact, for six months of every year that she appeared on the payroll, the paramour lived in her home country of Senegal. Faye, who had access to her personal identity information and personal bank account, would withdraw her union salary and expense payments from her account and put them to his personal use.

Faye also misrepresented his own employment status to the New Jersey UI program, allowing him to fraudulently collect more than \$7,000 in UI benefit payments.

This was a joint investigation with the Office of Labor-Management Standards (OLMS). *United States v. Assane Faye* (D. New Jersey)

California Man Convicted of \$3 Million Union Health Care Fraud

On October 14, 2016, a trial jury convicted David Gomez, an International Longshore and Warehouse Union (ILWU) Local 13 member, for his role in a scheme to steal more than \$3 million from the ILWU - Pacific Maritime Association (PMA) health plan.

During 2009 and 2010, Gomez and his co-defendant and fellow ILWU Local 13 member, Sergio Amador, opened clinics in San Pedro and Long Beach for the purpose of providing medical and chiropractic care to local ILWU members and their families. However, clinic staff, under the direction of Gomez and Amador, billed the ILWU-PMA health plan for chiropractic services that were not needed or not medically necessary. Gomez and Amador would then route proceeds of the scheme through third-party medical management companies that they also created and controlled.

This is a joint investigation with the Employee Benefits Security Administration and the FBI. *United States v. Amador et al.* (C.D. California)

Maryland Building Contractors and Union Official Convicted of \$1.7 Million Embezzlement Scheme

On November 22, 2016, Gary Cooper, owner and chief executive officer of STS General Contracting, LLC (STS), based in Greenbelt, Maryland, was convicted by a trial jury of stealing \$1.7 million from Local 657 of the Laborers International Union of North America (LIUNA), and other related offenses.

Cooper's co-conspirators, STS president Christopher Kwegan and Local 657 business manager Anthony Frederick, pled guilty on November 1, 2016, and October 31, 2016, respectively, to charges of conspiracy to commit embezzlement from a labor organization, conspiracy to make unlawful labor payments, conspiracy to commit wire and honest services fraud, and money laundering.



August 2016 photographs of LIUNA Local 657 training center in Washington, DC, left unfinished due to embezzlement of more than \$1.7 million in union funds

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 acquired by Frederick and gave Frederick's wife 50 percent ownership in a different construction corporation owned by Cooper. 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 the OLMS and the FBI. *United States v. Frederick et al.* (D. District of Columbia)

Texas Pharmacy Owner Pleads Guilty to \$5.3 Million Kickback Scheme

On November 9, 2016, Nermin A. El-Hadik, owner of Hope Pharmacy in Houston, pled guilty for his role in a scheme to pay more than \$5.3 million in illegal kickbacks to a Texas chiropractor in exchange for referrals of federally insured patients covered under the Federal Employees' Compensation Act. The recipient of the kickback payments, Dr. Garry Craighead, was sentenced in June 2016 to a prison term of 14 years and ordered to pay more than \$17 million in restitution. El-Hadik is one of several pharmacy owners who engaged in such a kickback scheme with Craighead.

As part of the scheme, prescribers were encouraged to prescribe compounded medications, due to the high reimbursement rates offered by OWCP for such medications. OWCP ultimately paid \$11.8 million to Hope Pharmacy for prescriptions written by Craighead or his associates.

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

Former Union Official Pleads Guilty to Embezzling More Than \$1 Million from Virginia ILA Local

On October 14, 2016, Robert Smith III, of Virginia Beach, pled guilty to stealing more than \$1 million from the International Longshoremen's Association (ILA) Local 970. Smith was the business agent / 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 dues payments and new member initiation. 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 had any intention of doing so.

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

MSHA Inspector Pleads Guilty to Falsifying Inspection Reports

On November 7, 2016, Nathan Welch, a former Mine Safety and Health Administration (MSHA) inspector, pled guilty to a false statement charge for purposefully falsifying mine safety inspection reports with the intent to deceive MSHA. As part of his plea agreement, Welch agreed to immediately resign his position with MSHA and not to seek any future employment with the U. S. government.

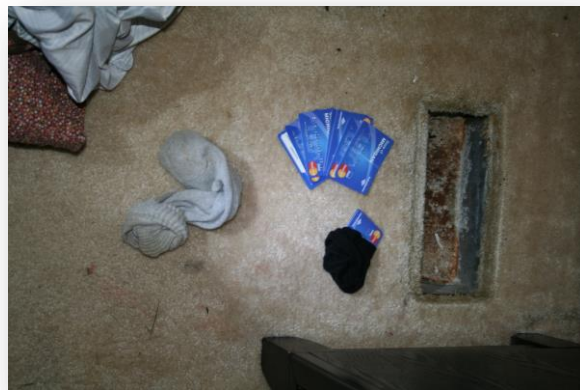
From approximately June to July 2016, Welch stated in an MSHA report that he had completed an onsite inspection of the Dead River Ranch Materials Riesel Sand and Gravel Plant, when he knew he had not conducted any such inspection and had never even traveled to the site or met any representative of the Dead River Ranch Materials Mining Operation. In addition, Welch falsified at least three other inspection reports that claimed he had performed inspections at various other locations during June and July 2016. Welch created these falsified inspection reports by copying previously completed reports, including hand-copying field notes from inspection reports that had been completed earlier in the year.

United States v. Nathan Edward Welch (N.D. Texas)

Three Detroit Area Residents Plead Guilty to Unemployment Benefit Fraud Scheme

Between October 25, 2016, and November 7, 2016, defendants Joel Driscoll, Devonte Cook, and Lashea Scott pled guilty to numerous criminal charges, including aggravated identity theft, mail fraud, and theft of government funds, for conspiring to defraud the UI program and the State of Michigan of more than \$400,000.

From 2012 through 2015, Driscoll, Cook, and Scott used stolen personally identifying information of unwitting persons to file UI benefit claims. The State of Michigan, through a third party financial institution, issued benefit payments via debit cards that were mailed to co-conspirators at addresses they had provided on initial benefit applications. Once the cards were received, Driscoll and his co-conspirators used them to withdraw more than \$400,000 in benefit funds. The foreseeable loss to the government, had the scheme not been detected and stopped, was significantly greater than \$400,000.



Photos from federal search warrant conducted at Devonte Cook's residence

This is a joint investigation with the FBI, the U.S. Postal Inspection Service, and the Michigan UI Agency. *United States v. Joel Randall Driscoll et al.* (E.D. Michigan)