



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.

Multistate Business Owner Found Guilty of Conspiracy to Pay Health Care Kickbacks in Connection to the Office of Workers Compensation Programs' Federal Employees' Compensation Act Program

In December 2019, following a 10-day trial, a Fort Lauderdale based jury convicted Elizabeth Peters Young of one count of conspiracy to pay health care kickbacks and four counts of payments of kickbacks in connection to a federal health care program. Young, the sole owner and president of Young Surgical, LLC, operated a business out of Ormond Beach, Florida, and Ball Ground, Georgia, which she created for the sale of spinal implant medical devices to orthopedic surgeons. Young orchestrated a scheme with the previously convicted husband-and-wife duo Desiree and Vernon Mitchell in which kickbacks were solicited and received from various pharmacies in return for the referral of Federal Employee Compensation Act program beneficiaries' prescriptions.

The investigation revealed that Desiree Mitchell, who worked at Atlanta Spine Institute, was responsible for the referral of prescriptions from Atlanta Spine Institute to several participating pharmacies in question. Vernon Mitchell, at the direction of Young, created Garner Medical, Inc., a shell corporation represented as a marketing company, in order to receive more than \$400,000 in kickback proceeds from Young Surgical, LLC. These proceeds were a direct result of prescription drug referrals sent by Desiree Mitchell.

This investigation is a joint investigation with the United States Postal Service (USPS)–OIG. *United States v. Elizabeth Peters Young* (S.D. Florida)

Diagnostic Testing Facility Owner Sentenced for Defrauding Health Care Benefit Plans

On December 2, 2019, Nick Nikbakht was sentenced to 27 months in prison for defrauding union health plans. Nikbakht was ordered to pay more than \$2.5 million in restitution at the time of sentencing. Nikbakht and co-conspirators Oganeg Doganyan and Shawn Chait incorporated diagnostic companies to submit claims for

reimbursement to the union health plans for non-medically necessary studies and tests. Nikbakht and Chait offered health plan members cash payments to receive non-medically necessary diagnostic medical services.

Doganyan arranged for the fraudulent proceeds to be deposited into the accounts of companies Doganyan exercised control over. Doganyan then transferred payments from these companies to Nikbakht, Chait, and his own personal account. The payments were made to appear as legitimate business transactions conducted by those companies.

This was a joint investigation with the FBI, Employee Benefits Security Administration, and IRS-Criminal Investigation Division. *United States v. Nick Nikbakht, et al* (C.D. California)

San Antonio Man Sentenced for Defrauding the Office of Workers' Compensation Programs of More Than \$6 Million

On December 2, 2019, Rafael Rodriguez, of San Antonio, Texas, was sentenced to 84 months in prison and ordered to pay more than \$6 million in restitution to the Office of Workers' Compensation Programs (OWCP).

Rodriguez was the owner of 210 Workers Clinic, a physical therapy clinic in San Antonio that primarily treated injured federal workers. Rodriguez fraudulently used the identity of a licensed physical therapist to enroll the clinic with OWCP. Rodriguez then employed unlicensed individuals to provide physical therapy services to injured federal employees and fraudulently billed OWCP. After a 10-day trial, Rodriguez was convicted on six counts of health care fraud, five counts of wire fraud, and one count of aggravated identity theft.

This was a joint investigation with USPS-OIG, the U.S. Department of Veterans Affairs–OIG, and the FBI. *United States v. Rafael Rodriguez* (W.D. Texas)

Northern California Business Owner Sentenced for Role in Worker Visa Fraud Scheme

On January 14, 2020, Kishore Pallapothu was sentenced to 33 months in prison and ordered to forfeit \$2.5 million for his role in committing visa fraud, conspiring to commit visa fraud, and witness tampering.

Pallapothu owned and operated multiple companies that served as H-1B labor visa contractors for technology firms. An investigation uncovered that Pallapothu fraudulently obtained H-1B visas by falsely stating to the government that the visa beneficiaries would work for Atiric Software, when, in fact, it was a shell company and no such job opportunities existed. Pallapothu became aware of the government's investigation and contacted visa recipients to direct them to give false and misleading information to agents with the intention to hinder, delay, and prevent the federal investigation.

This was a joint investigation with the Document Benefit Fraud Task Force in San Francisco, California, the Department of Homeland Security (DHS)–Homeland Security Investigations (HSI), and Department of State (DOS)–Diplomatic Security Services (DSS). *United States v. Vecham et al.* (N.D. California)

Texas Woman Sentenced to Prison in H-2B Visa Scam

On December 12, 2019, Norma Linda Vega was sentenced to 19 months in prison and 36 months of probation for her involvement in a conspiracy to commit visa fraud. Vega was also ordered to complete 50 hours of community service within her first year of probation.

From 2011 to 2018, Vega and other co-conspirators petitioned the United States for H-2B visas they did not need. Vega and others created and submitted fraudulent documents that included fake service agreements, contracts, and other business records to DOL and U. S. Citizenship and Immigration Services in an effort to ensure H-2B visa application approval. Vega facilitated the ability of companies unrelated to those described in the visa applications to fraudulently obtain foreign workers to fulfill labor contracts. More than 1,000 foreign workers entered the United States under H-2B visas issued as a result of false statements made by Vega and other co-conspirators who committed visa fraud.

This is a joint investigation with DHS–HSI and DOS–DSS. *United States v. Norma Linda Vega* (S.D. Texas)

Dayton Technology Staffing Company Fined for Role in Visa Fraud Scheme

On December 5, 2019, Webyoga, Inc., an information technology staffing corporation, was ordered to pay a fine of more than \$560,000 for its role in visa fraud offenses with Wright State University (WSU).

Between 2010 and 2013, WSU entered into several sponsored research contracts with Webyoga, Inc. Under these contracts, WSU agreed to employ software engineers, obtain H-1B visas for the employees, and pay their salaries and benefits. WSU employed 24 foreign employees, who were selected and approved by Webyoga, through H-1B visas. As an institute of higher learning, WSU is exempt from limits on the number of H-1B visas it can obtain, unlike other types of organizations. The university used its “cap exempt” status to apply for the visas. WSU submitted signed employment offer letters from the university indicating that the visa employees would be working for the university and under the supervision of university employees. WSU did not disclose in the visa applications that the employees would actually be working for Webyoga. Rather than develop the software programs named in the contracts, the visa employees worked as consultants on behalf of Webyoga in various cities throughout the country.

Over the course of the scheme, WSU invoiced Webyoga more than \$1.8 million for the employees’ salaries and benefits, fees associated with the employees’ visas, and administrative costs for the university.

This is a joint investigation with the Defense Criminal Investigative Service and DHS–HSI. *United States v. Webyoga, Inc.* (S.D. Ohio)

Massachusetts Court Sentences Contractor Convicted of Manslaughter and Witness Intimidation in Deadly 2016 Trench Collapse

On December 5, 2019, the Suffolk County Superior Court in Boston, Massachusetts, sentenced Atlantic Drain Service, Inc. owner Kevin Otto to 24 months in prison on two counts of manslaughter and witness intimidation. Otto also must serve 36 months of probation following his sentence.

Otto was convicted in October 2019 of manslaughter for the deaths of two workers who were in a trench in Boston's South End when a fire hydrant collapsed and flooded the 14-foot-deep hole with water. Both drowned despite frantic rescue efforts.

The witness intimidation charge resulted from Otto's attempts to mislead and obstruct the Occupational Safety and Health Administration (OSHA) during the investigation of the collapse.

During the investigation, the company provided falsified documents and attempted to mislead the investigation. The investigation found that Otto had forged his employees' signatures on records stating that they had completed trench safety courses.

This was a joint investigation with OSHA, the Suffolk County District Attorney's Office, and the Boston Police Department's Homicide Unit. *Commonwealth of Massachusetts v. Kevin Otto and Atlantic Drain Services Company Inc.* (Suffolk County Superior Court)

Southern California Man Sentenced for Defrauding Longshore Health Plan

On December 9, 2019, Julian Williams, a personal trainer who worked for Philips San Pedro Chiropractic (PSP Chiropractic) in San Pedro, California, was sentenced to 6 months in prison and ordered to pay the International Longshore and Warehouse Union-Pacific Maritime Association (ILWU-PMA) benefit plan more than \$500,000 in restitution.

From July 2016 through October 2018, Williams and his co-conspirators, Mahyar Yadidi and Ivan Semerdjiev, operated a scheme to defraud the ILWU-PMA plan. The men defrauded the plan by offering kickbacks to patients for visiting PSP Chiropractic, a medical clinic owned by Yadidi, which also employed Semerdjiev and Williams. The defendants perpetuated their fraud scheme by billing the benefit plan for services not rendered, services that were not medically necessary, and/or services provided by unlicensed employees not qualified to perform them. In total, Yadidi, Semerdjiev, and Williams submitted almost \$5 million in claims to the ILWU-PMA plan.

United States v. Williams (C.D. California)

Utah Businessman Sentenced for Obstructing Wage Investigation

On January 8, 2020, Justin Hamilton, the owner of several Café Sabor restaurants in Utah, was sentenced to 3 years of probation and ordered to pay more than \$100,000 in restitution for his role in obstructing a DOL Wage and Hour Division (WHD) Investigation.

During the course of a WHD Fair Labor Standards Act compliance investigation, Hamilton obstructed the investigation by making it appear that he had made appropriate back wage payments to workers when, in fact, he had not. During September 2017, Hamilton sent several emails to the WHD showing copies of checks he had issued to workers who were owed back pay. However, when the office attempted to verify with the workers that they had received the money, it was revealed that some employees had not been paid and the employee endorsements on the backs of the checks were forged by Hamilton.

U.S. v. Hamilton (D. Utah)