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.

Pennsylvania Man Sentenced to Prison for Unemployment Insurance and Tax Fraud Scheme

On October 29, 2020, Aaron Horton was sentenced to 75 months in prison and ordered to pay more than $500,000 in restitution for his involvement in an unemployment insurance (UI) and tax return fraud scheme. Horton, along with various indicted and unindicted co-conspirators, created false and fictitious businesses in order to use stolen personal identifiable information to collect unemployment benefits and file false tax returns.

This is a joint investigation with the IRS Criminal Investigation Division, U.S. Postal Inspection Service, Social Security Administration-OIG), and Treasury Inspector General for Tax Administration. *United States* v. *Aaron Horton* (E.D. Pennsylvania)

Virginia Beach Man Pleads Guilty to SBA Loan Fraud Scheme, Unemployment Insurance Fraud

On October 9, 2020, Ronald A. Smith pled guilty to wire fraud, engaging in monetary transactions in criminally derived property, and fraud in connection with emergency benefits for his role in an Internet-based loan scam that cheated approximately 1,700 victims out of more than $1.2 million. He also pleaded guilty to a separate charge of fraudulently collecting unemployment benefits during the coronavirus pandemic. As part of his plea, Smith agreed to forfeit more than $1.2 million in proceeds derived from his criminal conduct.

Smith, along with his wife and co-defendant, Terri Beth Miller, set up a company called Business Development Group, an internet-based business that offered, in exchange for an advance fee, to assist individuals in preparing loan applications to obtain loans guaranteed by the U.S. Small Business Administration (SBA). Smith solicited potential customers on the basis of false, fraudulent, and misleading statements and representations, including that the company had assisted well-known large companies in obtaining SBA loans. Smith and Miller offered a money-back guarantee, but in fact employed various fraudulent methods to deny refunds. They solicited approximately 1,700 customers, who paid an aggregate sum of more than $1.2 million in advance fees. The majority of these customers did not receive an SBA guaranteed loan. In fact, Smith did virtually nothing to obtain loans for the customers.

In addition, Smith made a false application to the Virginia Employment Commission for unemployment benefits, that included the additional $600 per week in federal pandemic unemployment compensation authorized under the Coronavirus Aid, Relief, and Economic Stimulus (CARES) Act. He falsely stated that he was not the owner or operator of a business and that he had not received income from another source. As a result of his false statements, Smith received $9,600 in federal pandemic unemployment compensation to which he was not entitled.

This is a joint investigation with the FBI. *United States* v. *Ronald A. Smith* (E.D. Virginia)

Oklahoma Employment Security Commission Blocks More Than 1,800 Fraudulent UI Claims, Saving Tax Payers More Than $6.5 million

Between July 14, 2020 and October 15, 2020, the Oklahoma Employment Security Commission (OESC) blocked more than 1,800 fraudulent UI claims that were filed after the CARES Act became law. This action stopped more than $6.5 million in UI benefits from reaching the hands of international criminals.

Following the enactment of the CARES Act, the U.S. Attorney's Office for the Northern District of Oklahoma created the Coronavirus Anti-Fraud Team. The team determined that a large number of the fraudulent UI claims used the stolen identities of Osage Nation employees, a federally recognized Native American government headquartered in Oklahoma. Investigative efforts determined UI claims had been filed through the Internet from several offshore locations including South Africa, Australia, London, Chile, Panama, and Toronto. Based on investigative findings, OESC stopped this large group of claims, blocked the internet provider (IP) addresses used to file the UI claims and began blocking other foreign IP addresses from accessing and filing UI claims with OESC. The investigation of the domestic access of the fraudulently obtained benefit funds is ongoing.

This is a joint investigation with OESC and the Osage Nation–Office of Attorney General.

Dallas Resident Sentenced for Receiving Illegal Kickbacks Related to a Federal Health Care Program

In October 2020, Terry Holley was sentenced to 12 months in prison and ordered to pay more than $190,000 in restitution for his role in a kickback scheme involving the DOL's Office of Workers' Compensation Programs.

In September 2019, Holley, an employee at a durable medical equipment supplier, was charged by Information with one count of receipt of illegal remuneration. From around August 2014 to around September 2017, Holley received cash from a corporation in exchange for providing personal identifying information of federal employees covered under the Federal Employees' Compensation Act.

This is a joint investigation with the U.S. Postal Service–OIG, U.S. Department of Veterans Affairs–OIG, and Department of Homeland Security–OIG. *United States* v. *Terry Holley* (N.D. Texas)

Former CFO Sentenced for Embezzling More Than $1 Million from Employee-Owned Company

On October 22, 2020, Carrie N. Harris was sentenced to 41 months in prison for committing wire fraud, and 24 months in prison for aggravated identity theft and ordered to pay more than $1 million in restitution for embezzling from her employer to pay for her personal expenses. Harris was also debarred for 13 years by DOL's Employee Benefits Security Administration (EBSA). Harris will be prohibited from serving any employee benefit plan as an administrator, fiduciary, officer, trustee, custodian, counsel, agent, employee or representative in any capacity.

As the CFO and Treasurer, Harris was responsible for the company's finances, payroll, bank accounts, payable books and records, and payroll taxes. Harris, however, did not have check signing authority. Harris possessed and used the signature of the company's president on company checks used to pay for her and her husband's personal expenses. Between December 2008 and June 2013 Harris caused more than 100 company checks to be issued in amounts ranging from approximately $4,500 to approximately $17,000, each of which was used to make payments for charges incurred on her personal credit cards, her husband's credit cards, and her home equity line of credit. Harris concealed her conduct by creating false entries in the company's general ledger to appear as company expenses.

This was a joint investigation with the FBI, and EBSA. *United States* v. *Carrie N. Harris* (N.D. Georgia)

Auto Parts Manufacturing Company Sentenced in Worker Death Case

On November 09, 2020, Joon LLC, d/b/a Ajin USA (Ajin) was sentenced to pay a $500,000 fine, and $1 million in restitution to Regina Elsea's estate, and to serve a three-year term of probation for willfully violating an occupational safety and health standard which caused employee Regina Elsea's death. As a condition of the probation, Ajin must comply with a safety compliance plan, overseen by a third-party auditor. Among other things, the safety compliance plan requires a full review of Ajin's lockout/tagout procedures, weekly inspections to ensure compliance, and creation of a mechanism for employees to report any safety concerns about the facility anonymously.

Regina Elsea, who was 20 years old, worked at Ajin's Cusseta, Alabama, facility. On June 18, 2016, she entered an enclosure, called a "cell, containing several robots and other pieces of machinery. While she was inside the cell, troubleshooting a sensor fault, one of the machines started up and Elsea was struck by a robotic arm. She died of her injuries.

In the 15 minutes prior to Elsea's fatal injury, in the presence of their supervisors, workers entered cells to troubleshoot machinery without following lockout/tagout procedures no less than five times. The supervisors did not take any action to stop or reprimand them. In two other instances, the supervisors themselves entered a cell without following lockout/tagout procedures. At the time of Elsea's fatal injury, several individuals were inside the cell, none of whom had followed lockout/tagout procedures to de-energize the machinery within the cell.

The case was prosecuted by the Middle District of Alabama and by the U.S. Department of Justice-Environment and Natural Resources Division's Environmental Crimes Section. *United States v. Joon, LLC d/b/a Ajin.* (M.D. Alabama)

Joint Venture Agrees To Pay $310,000 to Resolve False Claims Allegations Related To Pennsylvania Bridge Painting Project

On October 26, 2020, the U.S. Attorney's Office for the Eastern District of Pennsylvania entered into a civil settlement agreement with Hercules-Vimas Joint Venture, LLC (Hercules-Vimas) — formed between the Hercules Painting Company, New Castle, Pennsylvania, and the Vimas Painting Company, Lowellville, Ohio. Hercules-Vimas agreed to pay the United States $310,000 to resolve allegations that it violated the False Claims Act by participating in a fraudulent scheme designed to take advantage of the Disadvantaged Business Enterprise (DBE) program.

In 2011, the Pennsylvania Department of Transportation awarded Hercules-Vimas a federally funded $42.7 million contract to paint the George C. Platt Memorial Bridge in Philadelphia. The contract required a percentage of the work to be performed by a DBE. To meet this requirement, Hercules-Vimas subcontracted with Vertech International, Inc. (Vertech), an Indian American-owned company certified as a DBE in Pennsylvania, to supply materials.

The government contended that this arrangement with Vertech was a sham and that Hercules-Vimas actually worked with a large, non-disadvantaged business, among other suppliers, to deliver paint and materials for the project. According to the government, Vertech merely created invoices designed to conceal the fraud in exchange for a nominal fee. In 2016, Vertech's owner acknowledged his company's role in this fraudulent scheme by pleading guilty to conspiracy to commit wire fraud.

This settlement agreement is neither an admission of facts or liability by Hercules-Vimas nor a concession by the United States that its claims were not well founded.

This was a joint investigation with the U.S. Department of Transportation–OIG. (E.D. Pennsylvania)

Michigan Laboratory Agrees to Pay $1.2 Million to Settle Health Care Fraud Claims

On October 23, 2020, the United States Attorney's Office for the Southern District of West Virginia announced that it had settled healthcare fraud claims against Great Lakes Medical Laboratory, Inc. (Great Lakes). Pursuant to the settlement agreement, Great Lakes will pay more than $1.2 million to resolve allegations that it engaged in a billing scheme that defrauded Medicare, the United Mine Workers of America (UMWA) 1992 and 1993 Benefit Plans, and Combined Benefit Fund (together, the UMWA Funds) of more than $600,000.

Great Lakes operated a medical reference laboratory in Michigan and routinely tested urine and blood samples referred by medical providers located in West Virginia and elsewhere. From on or about January 2016 to May 2017, Great Lakes presented more than 21,000 claims to Medicare and the UMWA Funds. These claims included separate claims for reimbursement for services that had already been included in bills submitted for other laboratory services. Moreover, investigators learned that the fraudulent claims were for services that were not specifically ordered by the referring physicians, and determined that there was no indication that the services billed were actually performed.

This was a joint investigation with the U.S. Department of Health and Human Services–OIG. *United States* v. *Great Lakes Medical Laboratory, Inc.* (S.D. West Virginia)