



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

# OIG Investigations Newsletter

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## Three Texas Defendants Sentenced in Health Care Compounding Fraud Scheme

On July 10, July 12, and July 30, 2024, Dustin Rall, Quintan Cockerell, and Turner Luke Zeutzius were sentenced to 24 months in prison, 29 months in prison, and time served, respectively. Rall, Cockerell, and Zeutzius were also ordered to pay restitution, jointly and severally, of more than \$59 million for their roles in a wide-ranging health care fraud scheme.

Rall was the owner of the Medicine Store Pharmacy, Inc. and Halls IV & Institutional Pharmacy, Inc., aka Rxpress Pharmacy and Xpress Compounding (Rxpress/Xpress), which were both compounding pharmacies. Both Cockerell and Zeutzius were marketers for the pharmacies. From May 2014 to September 2016, Rxpress/Xpress formulated expensive compounded medications prescribed for individuals, including members of the armed forces and injured federal workers. Rall and others recruited a network of marketers, including Cockerell and Zeutzius, who in turn, recruited doctors and patients to obtain prescriptions for the compounded medications at Rxpress/Xpress. Rxpress/Xpress then paid kickbacks to Cockerell and Zeutzius for their recruitment efforts.

In addition, Rxpress/Xpress paid kickbacks to doctors for writing prescriptions for compounded drugs. In furtherance of the scheme, doctors were provided with lucrative entertainment and travel benefits to ensure they continued to refer prescriptions to Rxpress/Xpress. These kickback schemes targeted the billings to both private and federal health care programs, including the DOL-Office of Workers' Compensation Programs (OWCP) Federal Employees' Compensation Act program.

This is a joint investigation with the FBI, the Defense Criminal Investigative Service (DCIS), the U.S. Department of Health and Human Services (HHS)-OIG, and the Veterans Affairs (VA)-OIG. *United States v. Hall et al.* (N.D. Texas)

The Office of Inspector General (OIG) for the U.S. Department of Labor (DOL) is pleased to present the *OIG Investigations Newsletter*, containing a quarterly 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.

## Miami Medical Provider Pled Guilty to Conspiracy to Commit Health Care and Wire Fraud

On August 23, 2024, Roberto Quevedo pled guilty to conspiracy to commit health care and wire fraud for his role in submitting false claims to DOL-OWCP, resulting in a loss of more than \$1.2 million in OWCP benefits.

From approximately April 2016 through May 2019, Quevedo, the owner of Fed Help Medical Group, submitted fraudulent claims to OWCP for reimbursables, such as medical benefits, equipment, and services. The investigation revealed the equipment and services were medically unnecessary, ineligible for reimbursement, or not received by the intended beneficiaries. Based on the false claims, OWCP paid Quevedo and his co-conspirators approximately \$1.2 million of which he personally obtained \$112,000.

This is a joint investigation with the U.S. Postal Service (USPS)-OIG. *United States v. Roberto Quevedo* (S.D. Florida)

## Connecticut Residents Sentenced for \$40 Million Scheme to Steal Client Health Care Funds and Defraud Lenders

On August 20, 2024, Anthony Riccardi was sentenced to 10 years in prison for conspiracy to commit wire fraud and bank fraud. On September 12, 2024, Vanessa Battle, a co-conspirator, was sentenced to 5 years of probation after she pled guilty to conspiracy to commit wire fraud and bank fraud. Both Riccardi and Battle were ordered to pay more than \$14.8 million in restitution, jointly and severally with the other co-conspirators.

Riccardi was a co-owner and executive vice president of Employee Benefit Solutions (EBS) that, among other things, provided third-party health care claims administration (TPA) services to clients who elected to self-fund their employee health care plans. Battle was an EBS employee.

From 2015 to 2019, EBS served as a TPA for a company's self-funded employee health care program and generated bi-monthly invoices that were purportedly for health care expenses. During that time, the company transferred approximately \$26 million to EBS for payment of health care claims. However, most of the funds were never used to pay the claims. Instead, approximately \$17.87 million in health care payments from the company were misappropriated with the overwhelming majority transferred by EBS into its own operating account, which was used for non-health care expenses by the managers and owners of EBS. This included home mortgages and personal credit card charges relating to boating, luxury cars, and golf.

By 2017, as EBS buckled under mounting outstanding fiduciary obligations, Riccardi and Battle falsified applications for various loans and merchant cash advances which were used, in part, to pay various fiduciary obligations that EBS owed to their client company. As a result, EBS fraudulently obtained millions of dollars in loans under the auspices of facilitating business for EBS.

This is a joint investigation with the DOL-Employee Benefits Security Administration (EBSA), the United States Postal Inspection Service (USPIS), and the United States Secret Service (USSS). *United States v. Anthony Riccardi et al.* (S.D. New York)

## Former IBEW Local 98 Business Manager and Company Officials Sentenced for Public Corruption and Embezzlement Convictions

On July 11, 2024, John Dougherty, former business manager of the International Brotherhood of Electrical Workers Local Union 98 (Local 98), was sentenced to 72 months in prison and ordered to forfeit approximately \$350,000.

On September 11, 2024, Dougherty was ordered to pay more than \$1.6 million in restitution, jointly and severally with his co-conspirators, to Local 98 and approximately \$126,000 to the Internal Revenue Service (IRS). On the same date, Brian Burrows, former Local 98 president, was ordered to pay more than \$925,000 in restitution, jointly and severally with his co-conspirators, to Local 98 and approximately \$10,000 to the IRS.

In January 2019, a federal grand jury indicted Dougherty, Burrows, and four other union employees for multiple federal offenses connected to their illegal use of Local 98 funds for personal and other unauthorized expenses. The use of union funds was contrary to the provisions of IBEW's constitution, the by-laws of Local 98, and the beneficial interests of Local 98 members. The indictment also charged Dougherty and Burrows with concealing the embezzlement of Local 98 funds by filing false labor management reports with the DOL. They were also charged with tax fraud for failing to report their personal use of the funds on their tax returns.

On December 7, 2023, a federal jury convicted Dougherty of 65 counts, including: conspiracy to embezzle Local 98 funds; embezzlement; wire fraud; signing and submitting false labor management forms; and filing false federal income tax returns. The jury convicted Burrows of 20 counts, including: embezzlement; signing and submitting false labor management forms; and filing false federal income tax returns.

On November 15, 2021, during a separate trial for public corruption charges, Dougherty was convicted of conspiracy to commit honest services fraud and honest services wire fraud.

This is a joint investigation with the FBI, the IRS-Criminal Investigation (IRS-CI), the DOL-EBSA, the DOL-Office of Labor Management Standards, and the Pennsylvania State Police with assistance from the Pennsylvania Attorney General's Office. *United States v. John Dougherty et al.* (E.D. Pennsylvania)

## Argyle Fire Chief Sentenced to Prison and Ordered to Pay More Than \$500,000 in Restitution

On August 1, 2024, Troy Hohenberger was sentenced to 50 months in prison and ordered to pay approximately \$509,000 in restitution and forfeit more than \$28,000 for his misuse and theft of funds from the Argyle Fire District, Inc. (AFD) operating account, and for making false statements to the DOL.

Hohenberger was formerly the chief firefighter and plan administrator of the AFD 401(k) Plan that qualified as an Employee Retirement Income Security Act (ERISA) plan. From approximately 2018 to 2021, Hohenberger stole funds from the AFD's operating account, using more than \$490,000 to pay personal credit card bills. The personal credit card expenses included cash advances at casinos,

payments related to a family member's business in Hawaii, and other personal uses. In addition, he failed to deposit more than \$690,000 in AFD retirement accounts in the time period required by federal regulations. Hohenberger also made false statements related to the AFD 401(k) plan on a form submitted to the DOL.

This is a joint investigation with the FBI and the DOL-EBSA. *United States v. Troy Mac Hohenberger* (E.D. Texas)

### **Michigan Fraudsters Sentenced in Multi-Million Dollar Fraud Scheme**

In September 2024, Marcellus Dunham, Day'on Holt, Armani Haller, and Laron Stroud were sentenced to 102 months, 32 months, 24 months, and 18 months in prison, respectively, for their roles in a pandemic-related unemployment insurance (UI) fraud scheme. The four defendants were also ordered to pay restitution jointly and severally of more than \$4.8 million to the state workforce agencies (SWA) of California, Michigan, Arizona, Indiana, Maryland, and New York. Dunham was also ordered to pay restitution of more than \$570,000 for his role in two additional financial fraud schemes.

From April 2020 to August 2021, the defendants and other co-conspirators colluded to submit nearly 700 fraudulent UI claims to more than nine states. The claims were filed using the stolen personally identifiable information (PII) of identity theft victims. Once the fraudulent claims were processed, the UI funds were loaded onto pre-paid debit cards that were mailed to addresses controlled by the defendants. The defendants and their other co-conspirators then made cash withdrawals at ATMs in Michigan and California. As a result of their scheme, the defendants fraudulently obtained more than \$4.8 million in UI benefits.

This is a joint investigation with the FBI. *United States v. Marcellus Dunham et al.* (E.D. Michigan)

### **Two Arkansas Men Convicted and Sentenced in Unemployment Insurance Fraud Scheme**

On July 11, 2024, and July 25, 2024, Khi Simms pled guilty to conspiracy to commit bank fraud and aggravated identity theft, and Deuntae Diggs was sentenced to 41 months in prison and ordered to pay more than \$874,000 in restitution, respectively. Along with other co-conspirators, both Simms and Diggs participated in an UI fraud scheme that defrauded the federal government, the California Employment Development Department (EDD), and a financial institution of funds that were earmarked for COVID-19 pandemic relief.

From approximately January 2021 to August 2021, Simms and Diggs were involved in a conspiracy whereby they obtained and made withdrawals from debit cards containing fraudulently obtained UI benefits that a co-conspirator made available. The co-conspirator, who was hired by a financial institution as a contract employee, then accessed bank systems without authorization to: reissue debit cards; remove fraud blocks; and add provisional credits to unemployment debit card accounts from which Simms and Diggs later withdrew funds. Simms also recruited others to participate in the conspiracy, often recruiting them via social media posts. Simms also sent messages to co-conspirators to advise them on how to call the financial institution and pretend to be various customers in order to have debit cards sent to their addresses.

In total, Simms and Diggs were responsible for approximately \$2.7 million and \$815,000, respectively, in withdrawals of fraudulently obtained funds.

This is a joint investigation with the FBI. *United States v. Khi Simms and Deuntae Diggs* (E.D. Arkansas)

### **Former Maryland Department of Labor Contractors Plead Guilty to Pandemic-Related Unemployment Insurance Fraud Conspiracy of More Than \$3.5 Million**

On June 3, 2024, and July 23, 2024, Bryan Ruffin and Kiara Smith, former contractors who provided services directly to the Maryland Department of Labor (MD DOL), pled guilty, respectively, to conspiracy to commit wire fraud and aggravated identity theft for their roles in defrauding the MD DOL of more than \$3.5 million.

From early 2021 through late 2022, Smith and Ruffin worked remotely as contractors for the MD DOL. Initially, they handled customer service calls but were later promoted to work on MD DOL fraud matters. Through their employment, Smith and Ruffin were issued laptops that allowed for remote access to MD DOL servers, including the UI claims system. While handling fraud-related matters for MD DOL, Smith was tasked with identifying fraudulent identification documents submitted in support of UI claims, such as fake Social Security cards and driver's licenses. MD DOL also gave Smith the discretion to add or remove fraud flags in the system.

In early 2021, Smith provided her MD DOL-issued laptop to co-conspirators in exchange for money. Throughout 2022, Ruffin provided his MD DOL-issued laptop to co-conspirators for the same purpose. The co-conspirators then used the laptops to access non-public UI data and databases maintained by MD DOL to change information on existing UI claims, including contact email addresses, online account passwords, and payment methods. They also made numerous false statements and misrepresentations on UI applications, so the highest amount of available UI benefits would be paid. As a result, the MD DOL disbursed UI benefits to bank accounts that were controlled by members of the conspiracy.

Smith also fraudulently sought UI benefits for herself during the pandemic, including during periods when she was employed.

In addition to providing her MD DOL issued laptop to her co-conspirators, Smith used her insider access with MD-DOL to fraudulently process UI benefits. She changed the registered email accounts associated with at least 20 UI claims to an email belonging to her. Smith then caused MD DOL to pay UI benefits on these 20 claims to bank accounts she controlled.

Based on Smith and Ruffin's activities, the members of the conspiracy fraudulently obtained more than \$3.5 million in pandemic-related UI benefits of which Smith personally obtained at least \$275,000.

This investigation is being conducted as part of the Maryland COVID-19 Fraud Enforcement Strike Force and is a joint investigation with the FBI. *United States v. Lawrence Nathaniel Harris et al.* (D. Maryland)

## **Maryland Woman Pled Guilty to Role in \$1.7 Million Pandemic Unemployment Insurance Benefits Fraud Conspiracy Executed from the United Kingdom**

On August 12, 2024, Anais Ossele Massaba pled guilty to conspiracy to commit wire fraud and aggravated identity theft for her role in a scheme to defraud the MD DOL and other SWAs which resulted in more than \$1.7 million in losses to the UI program.

Beginning in June 2020, Massaba, as part of an organized group of individuals operating in the United States and the United Kingdom (UK), engaged in a conspiracy to fraudulently obtain UI benefits from multiple SWAs during the COVID-19 pandemic. She used a computer, which was located in the UK, to file fraudulent UI claims with the MD DOL. Massaba worked closely with other members of the conspiracy to obtain and use the PII of identity theft victims to submit fraudulent UI claims.

Massaba and her co-conspirators also used proxy servers and virtual private networks to conceal their identities and location. In addition, she used encrypted messaging platforms to communicate with co-conspirators to exchange the PII of identity theft victims. In total, Massaba submitted nearly 200 fraudulent UI claims to the MD DOL by using anonymous email addresses, resulting in the loss of more than \$1.7 million in UI benefits.

This investigation is being conducted as part of the Maryland COVID-19 Fraud Enforcement Strike Force and is a joint investigation with the IRS-CI and HSI. *United States v. Anais Ossele Massaba et al.* (D. Maryland)

## **Former State Employee and Co-Conspirator Sentenced in Unemployment Insurance Fraud Scheme**

On August 22, 2024, Carl DiVeglia, a former New York State Department of Labor (NYSDOL) employee, was sentenced to 20 months in prison and ordered to pay more than \$1.6 million in joint restitution for his role in a scheme to fraudulently obtain UI benefits by abusing his insider access with the NYSDOL. On July 25, 2024, Rocco Resciniti, a co-conspirator, was sentenced to 36 months of probation and ordered to pay approximately \$69,000 in joint restitution.

From November 2020 through August 2021, DiVeglia, Resciniti, and others conspired to defraud the NYSDOL. DiVeglia and another former NYSDOL employee abused their state computer access to create and approve false UI claims. This also included fraudulent applications for pandemic-related UI benefits. DiVeglia admitted responsibility for more than \$1.6 million in losses to NYSDOL of which he personally obtained approximately \$225,000.

Resciniti provided DiVeglia with three individuals' PII, which DiVeglia used to create and approve fraudulent UI applications. They then agreed to structure payments on the falsely obtained UI claims to receive a share of the proceeds.

This is a joint investigation with the FBI. *United States v. Wendell Giles* (N.D. New York)

## Maryland Man Pleads Guilty for Role in \$1.5 Million Pandemic-Related Unemployment Insurance Fraud Scheme

On August 15, 2024, Trez Anthony Hendy, aka “Torch,” pled guilty to conspiracy to commit wire fraud, wire fraud, and aggravated identity theft for his role in a pandemic-related UI fraud and aggravated identity theft conspiracy that defrauded multiple SWAs of at least \$1.5 million in UI benefits.

From March 2020 to October 2021, Hendy and his co-conspirators worked together to submit fraudulent UI claims to multiple states, including Maryland and California. As part of the scheme, he and his co-conspirators used, among other methods, electronic messages, phone calls, and electronic mail to collect and exchange the PII of identity theft victims. They also created false email addresses and phone numbers for the victims for use on the fraudulent UI applications. Once Hendy and his co-conspirators received the fraudulently obtained UI benefits on debit cards, they made cash withdrawals and other transactions. From approximately November 2020 through August 2021, he also conspired with others to use stolen mail and PII to commit bank fraud by creating counterfeit checks.

This is a joint investigation with the USPIS, HSI, the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF), the Maryland State Police, and the Anne Arundel County (Maryland) Police Department. *United States v. Michael Akame Ngwese Ay Makoge et al.* (D. Maryland)

## Wisconsin Fraudsters Sentenced in \$1.3 Million Unemployment Insurance Fraud Scheme

On September 13, 2024, and July 12, 2024, Jaquan Wright and Vernell Hamilton, respectively, were sentenced to 60 months and 48 months in prison and ordered to pay approximately \$392,000 and \$368,000 in restitution for their involvement in a conspiracy to defraud pandemic-related UI programs in various states.

Wright and Hamilton were members of the “Wild 100s,” a street gang based in Milwaukee, Wisconsin. Gang members regularly engaged in various criminal activities, including: violent crime; illegal firearms possession; drug distribution; conspiracy; and fraud. In 2020, Wright, Hamilton, and other gang members recruited third parties to use their PII to file fraudulent UI claims. They would also falsely certify that the claimants lived and worked in targeted states and became unemployed due to the COVID-19 pandemic. Both Wright and Hamilton communicated with other co-conspirators and gang members using various forms of electronic communication, including social media platforms.

In furtherance of the scheme, Hamilton submitted fraudulent UI claims using his own name and mailing address to receive debit cards loaded with fraudulently obtained UI benefits. He then traveled to Texas with other gang members to purchase designer jewelry with the proceeds.

In total, Wright and Hamilton caused a loss of more than \$1.3 million to multiple SWAs.

This is a joint investigation with the FBI and the ATF. *United States v. Ronnell Bowman et al.* (E.D. Wisconsin)

## California Man Sentenced to More Than 4.5 Years in Federal Prison for Unemployment Insurance Fraud

On July 17, 2024, Kenneth Lathon was sentenced to 54 months in prison and ordered to pay restitution of approximately \$998,600 for his role in a scheme to fraudulently obtain UI benefits.

Lathon's spouse, a co-conspirator in the scheme, operated at least three tax preparation businesses. In that capacity, Lathon's spouse was provided with PII, which included the names, dates of birth, and Social Security numbers, of numerous individuals for tax filing purposes.

From February 2020 to March 2021, Lathon conspired with his spouse to submit fraudulent applications to the California EDD for UI benefits using PII obtained from former clients of the spouse's tax preparation businesses. The PII was used without the permission of the former clients. The PII as well as fictitious employment histories, mailing addresses, email accounts, and phone numbers, were used to file fraudulent UI claims. As a result, EDD authorized a financial institution to issue debit cards in the names of claimants. The debit cards were then mailed to addresses that both Lathon and his spouse controlled. They then used the debit cards to make purchases and cash withdrawals.

Lathon and his spouse caused at least 44 fraudulent UI claims to be filed, resulting in losses to EDD of almost \$1 million.

This is a joint investigation with HSI, the USPIS, the ATF, the DOL-EBSA, the Amtrak-OIG, and the California EDD. *United States v. Lathon* (C.D. California)

## California Man Sentenced to Almost 3 Years for Defrauding Unemployment Insurance Program

On July 26, 2024, Adolph Barley II was sentenced to 33 months in federal prison and ordered to pay restitution of approximately \$974,000 for his role in an UI fraud scheme.

From July 2020 through February 2021, Barley and his co-conspirator submitted approximately 40 fraudulent applications for Pandemic Unemployment Assistance (PUA) benefits to the California EDD. He and his co-conspirator carried out the scheme by obtaining and using the PII of individuals who were ineligible for PUA and did not authorize such applications in their names.

Following approval of the fraudulent applications, debit cards, which were loaded with PUA funds, were mailed to addresses to which Barley had access. Both he and his co-conspirator used the debit cards to withdraw cash at various ATMs.

As a result of the scheme, Barley and his co-conspirator fraudulently obtained more than \$974,000 in PUA benefits.

This is a joint investigation with the U.S. Department of Homeland Security (DHS)-OIG and the California EDD. *United States v. Brown et al.* (C.D. California)



## **New York Construction Company Employee Pled Guilty and Company Sentenced after Worker Dies Due to Safety Violations**

On July 9, 2024, Richard Zagger, a supervisor for Northridge Construction Corporation (Northridge), which is located in New York, pled guilty to a charge of conspiracy and three charges of obstruction related to a federal investigation into the death of a Northridge employee. On August 6, 2024, Northridge was sentenced in federal court for violating a worker safety standard, which caused the death of an employee, and for making two false statements that obstructed a federal agency's subsequent investigation. The company was ordered to pay a fine of \$100,000 and serve a 5-year term of probation requiring, among other conditions, increased employee safety training.

In December 2018, during the construction of a shed on Northridge's property, an employee fell from an improperly secured roof and died. Among other worker safety standards, DOL-Occupational Safety and Health Administration regulations require that the stability of a metal structure always be maintained during construction. An investigation revealed that the company failed to adhere to the structural stability standard and that Northridge employees, including Zagger, made false statements to obstruct the ensuing federal inquiry.

This case was investigated by the DOL-OIG. *United States v. Richard Zagger* (E.D. New York) and *United States v. Northridge Construction Company* (E.D. New York)