

Employee Benefit Plans DOL Criminal Enforcement Cases January 2006 – September 2013

The AICPA Employee Benefit Plan Audit Quality Center has developed this summary analysis of the U.S. Department of Labor (DOL) Employee Benefit Security Administration's criminal enforcement actions involving employee benefit plans during the period January 2006 through September 2013 to assist members in their consideration of fraud in employee benefit plan financial statement audits. This document categorizes the cases into the following plan types:

- [Pension/401\(k\) Plans](#)
- [Multiemployer Plans](#)
- [Medical, Health and Death Benefit Plans](#)
- [Other](#)

Additional public information about each case is available in the DOL EBSA's Criminal Enforcement News Releases at <http://www.dol.gov/ebsa/newsroom/criminal/main.html>. The DOL website also has additional enforcement actions dating from February 2001 to present.

Many of the DOL's criminal enforcement cases involve company owners, officers, bookkeepers, plan administrators and service providers. They generally involve smaller plans; however, these types of fraud can occur at plans of all sizes. This tool includes examples of potential fraudulent activities, followed by summaries of actual fraud that has occurred, presented by plan type.

Fraud Activities

Pension/401(k) Plans

- Theft and embezzlement of plan assets using wire transfers, forged checks and other means
- Failure to deposit employee contributions into the plan
- Funneling contributions into a secret account
- Transfer of funds from the plan to an outside account in the plan's name
- Unauthorized withdrawals
- Unauthorized use of plan assets to invest in other business interests
- Issuing fraudulent statements and dividend checks to clients
- Making materially false statements in the plan's annual report and fraudulent annual reports
- Failure to pay pension benefits due to employees
- Check kiting
- Issuing fraudulent loans
- Submitting false claims for benefit disbursements
- Filing a falsified Form 5500
- Failure to distribute plan benefits
- Failure to deposit money from rollovers and plan conversions
- Obstruction of justice
- Ponzi type investment schemes
- Non-disclosure of hidden fees

Multiemployer Plans

- Check forgery
- Filing false financial reports
- Kickbacks
- Bribery in exchange for permitting the contractors to avoid employing and paying union members
- Impersonating a beneficiary
- Transfer of funds to a corporate operating account for unauthorized use
- Falsifying time sheets to avoid paying union benefits
- Payment of fraudulent invoices
- Non-disclosure of hidden fees

Medical, Health and Death Benefit Plans

- Embezzling health care premiums from payroll withholdings
- Falsely purporting to provide health care coverage by misrepresenting that its plans were insured by legitimate insurance providers
- Defrauding insurance companies by submitting fraudulent insurance claims and doctor's notes to insurance companies
- Engaging in fraudulent activity involving the sale of insurance policies
- Fraudulently obtaining bank loans by submitting false statements
- Unlawfully interfering with the exercise of rights of participants
- Defrauding participants by misrepresenting insurance coverage
- Unlawfully "carving out" clients with health risks
- Issuing fraudulent statements
- Submitting false claims for reimbursement of prescription drugs
- Depositing plan receipts to an unauthorized account
- Failing to forward insurance premiums to insurance company
- Non-disclosure of hidden fees

DOL Criminal Enforcement Case Summaries

Pension/ 401(k) Plans

Former Company President and Majority Shareholder Sentenced for Stealing Approximately \$16,000 from Employee Retirement Plan [\[07/17/13\]](#) – The former president and majority shareholder of a business that marketed and sold used car warranty policies was sentenced to serve 17 months in prison, two years of probation thereafter, and ordered to pay restitution to former employees and the IRS for the theft of approximately \$16,000 from the company's retirement plan in 2008 and 2009, and failing to file employer's quarterly federal tax returns.

Co-Founders of Grouting Contractor Plead Guilty To Taking Money from Their Employees' Benefit Plans [\[02/15/13\]](#) – Two general partners and co-founders of a contractor that specializes in grouting techniques to solve soil and structural problems pleaded guilty to a conspiracy to unlawfully and willfully convert to their own use, or the use of another, money from an employee benefit plan. The two removed a total of \$1,772,500 from the employee benefit plans' trust accounts for unauthorized purposes. They have returned \$908,481.26. The maximum statutory penalty is five years in prison and a fine of \$250,000, or twice the gross gain or loss, whichever is greater, plus restitution if appropriate.

Financial Advisor Sentenced to Ten Years in Prison for Ponzi Scheme [\[10/03/12\]](#) – A former financial advisor and owner of a financial services firm was sentenced to 120 months in prison orchestrating a multi-million dollar Ponzi scheme involving more than 30 victims, many of whom were family and friends. He was ordered to repay over \$5.4 million in restitution to his victims. The company offered various

financial services, including investment advice, portfolio management, insurance, real-estate consulting, and retirement planning. In addition, it acted as Third Party Administrator for several 401(k) plans. Much of the loss to investors came when the advisor kept client money in his company's operating account and spent it on various personal and business expenses. In addition, in some cases, the advisor used a portion of the funds to repay older investors using a type of Ponzi scheme. As plan administrator for his 401(k) advisory clients, he transferred funds from retirement accounts to his operating account and again spent the money on personal and business expenses. He later attempted to conceal his fraud by lying to securities regulators and falsifying documents.

Employee Indicted on 67 Counts of Theft from an Employee Pension Plan and Tax Evasion

[\[08/22/12\]](#) – A federal Grand Jury returned an indictment charging a woman with 67 counts of theft from an employee pension plan and tax evasion. Sixty-one of the charges allege that between 2007 and 2012, she embezzled, stole, and unlawfully and willfully abstracted and converted to her own use moneys, funds, and other assets of an employee pension plan. If convicted, she faces a maximum possible sentence on each count of five years in prison, a fine of up to \$250,000, up to three years of supervised release, criminal forfeiture, and a \$100 special monetary assessment.

Lawyer Sentenced for Embezzling from an Employee Pension Benefit Plan [\[08/01/12\]](#) and [\[04/06/12\]](#)

– An attorney was sentenced to eight months home confinement and two years probation and ordered to pay restitution for embezzling and converting to his own use money belonging to his company's 401(k) plan. The owner purchased a company, then executed an amendment to the 401(k) plan and officially became a trustee of the plan. From February 2006 until the company closed in January 2007, he embezzled and converted to his own use approximately \$69,894.51. This amount includes employee salary deferrals intended to go into the plan but withheld by the owner, and an approximately \$50,000 distribution for one plan participant that was misappropriated.

Contractor Pleads Guilty to Embezzlement Charge [\[05/09/12\]](#) -- A contractor who co-owned a drywall company waived his right to be indicted and pleaded guilty to charges related to violations of ERISA, including one count of embezzlement. The maximum penalty faced by the defendant is five years in federal prison and/or a fine of up to \$250,000. The defendant had exclusive control over the drywall company's financial operations. The company offered employees a Simple IRA employee welfare benefit which required the company to match employee contributions up to 3 percent. As the plan fiduciary, it was the defendant's duty to take the contributions from the company's CPA and forward them to a third party for investment. Instead of forwarding the monies, he converted the money for his own use. In all, the defendant embezzled approximately \$25,839 of his employees' money.

Plan Trustee Convicted of 17 Counts of Wire Fraud [\[04/16/13\]](#) and [\[04/11/12\]](#) – A federal jury convicted a former trustee and fiduciary for a number of multiple employer pension plans of seventeen counts of wire fraud. During 2010, the trustee misappropriated just over \$2 million of one plan's assets for his personal use. On twelve occasions, he directed the plan record keeper to wire transfer plan assets from the plan account to bank accounts he controlled for his personal benefit. He used these assets to extensively renovate his personal residence, including adding a pool, to repay personal loans, to purchase luxury automobiles, motorcycles, all-terrain vehicles, and a tractor, and for other personal expenses. In December 2010, the trustee misappropriated approximately \$3,276,000 of another plan's assets to pursue the purchase of a resort on behalf of a limited liability corporation (LLC) he controlled. He directed the plan record keeper to wire transfer approximately \$3 million from the plan to an escrow account for the benefit of the LLC, and to describe the transaction in plan records as an investment in a fixed income bank note. Each count of wire fraud is punishable by up to 20 years in prison, a maximum fine of \$250,000 or twice the gain or loss from the offense, and up to three years of supervised release. The government is seeking forfeiture of approximately \$5,307,688, or substitute assets, including property, valued at this amount.

Business Owner Sentenced to Federal Probation for Conspiring to Commit Mail Fraud and Embezzlement from an Employee Benefit Plan [\[01/18/12\]](#) – A co-owner of an architectural design and engineering firm who pleaded guilty to conspiracy to commit mail fraud and embezzlement from an employee benefit plan was sentenced to spend two years on federal probation. The defendant had

conspired to embezzle IRA contributions from eight employees. A total of \$44,233.09 was misappropriated from those employee IRAs. In addition, the company failed to make the required 3% employer matching contributions to the accounts. The defendant repaid all of his victims in full.

Business Owner Sentenced for Embezzling Nearly \$90,000 from Employee 401(k) Plan [[10/06/11](#) and [09/13/10](#)] – The owner and president of a chain of health and beauty spas was sentenced to two years probation for embezzling nearly \$90,000 from the company's 401(k) profit sharing plan. The owner withheld contributions from worker paychecks on a bi-weekly basis, but did not forward them to the retirement plan. The money was used to run the business.

Business Manager Pleads Guilty to Stealing Money from a Pension Fund [[08/08/11](#)] – A former manager of a business owned by his spouse, pleaded guilty to embezzling \$83,666 from the employee benefit 401(k) pension plan. As the administrator of the 401(k) pension plan, the defendant was responsible for deducting employee payroll contributions on a bi-weekly basis. However, he failed to forward those contributions to the plan on behalf of the employees. The charges carry a maximum sentence of five years in prison, a fine of \$250,000 or both.

Bank Associate Admits Embezzling \$450,000 From Employer [[06/30/11](#)] – A bank associate pleaded guilty to one count of embezzlement. The bank associate was employed as a data entry associate and a trust operations coordinator and was in charge of administering a client's pension fund. For a period of three years the bank associate utilized her position and access to create unauthorized checks drawn on the accounts of pensioners. She would then use her knowledge of internal routing procedure to divert these checks to herself so that they wouldn't be mailed to the pensioners, and the pensioners would not know that they were issued. She then endorsed the checks and deposited the checks into her bank account. She would also wire transfer money in the form of direct deposit from these pension accounts directly into her bank account, so that the depositing bank would not question her on the reason why the checks she was depositing were not in her name. To conceal the fraud, she took the additional step of entering an "adjustment" into the pensioner's account ledger, making it look like the money that was drawn by the unauthorized check was re-credited back into the pension account, and the pensioner would be led to believe that there was more money in her account than there actually was due to the theft. These actions would cover up the payments from tax reporting documents of the pensioners, so that the pensioners would not be alerted at the end of the year (when they received their tax forms) of the excess amount taken from their accounts which she was stealing.

Business Owner Pled Guilty to Theft and Embezzlement From an Employee Benefit Plan [[04/20/11](#) and [12/08/10](#)] – A business owner admitted to fraudulently representing to the plan custodian that a former employee desired to close out his or her pension account and to receive a lump sum disbursement of the proceeds. He directed and caused the plan custodian to close out the pension account for the respective employee, to issue a lump sum check for the proceeds payable to the business, and to mail the check to him.

Business Owner Pleads Guilty to Embezzling Money From Company Pension Plan [[04/15/11](#) and [04/21/10](#)] – A business owner pleaded guilty to one count of embezzlement, admitting that he withheld more than \$120,000 from the paychecks of his employees but did not deposit it in the employees' 401(k) plans. At the beginning of the plan and continuing for some time, the company's plan participants' withheld earnings were not deposited to the plan in a timely manner. Ultimately, all deposits of participants' withheld earnings stopped. It was found that the business owner prepared numerous checks made payable to himself from the company's general account, and deposited these checks into his private bank account. A series of these checks were made at times and in amounts similar to the 401(k) Plan contributions that were withheld from the employees' paychecks but were not remitted to the plan.

Plan Trustee Pleads Guilty to Embezzling Funds from an Employee Benefit Plan [[03/24/11](#) and [11/18/10](#)] – A trustee of an employee retirement savings plan pleaded guilty to one count of theft. The trustee embezzled approximately \$642,167 from his company's employee benefit plan and admitted to using the money for his own use. He faces a potential maximum penalty of five years in prison.

Third-Party Plan Administrator Pleads Guilty to Embezzlement of \$1 Million from Retirement Plan Clients [\[02/23/11\]](#) – A third-party administrator to 56 employee benefit plans pleaded guilty to one count of embezzlement of \$1 million in assets from 12 retirement plans. She also pleaded guilty to one count of making false statements in documents required under ERISA to be kept and certified by the plans' administrator.

Third-Party Retirement Plan Administrator Sentenced for False Statement On Form 5500 [\[11/29/10\]](#) – An owner of a third-party plan administrator was sentenced to 15 months in prison and ordered to pay \$715,229 to a profit sharing plan for making a false statement in the Form 5500 annual report. She admitted she prepared, executed, and authorized the Form 5500 of the profit sharing plan and that she falsely stated in the form that the plan held \$797,373 in assets at the beginning of the plan year, when the plan actually held significantly less than the amount due to losses that she knowingly concealed.

Investment Advisor Sentenced For Embezzling From Employee Benefit Plan [\[11/29/10\]](#) and [\[06/30/10\]](#) – An investment advisor was sentenced to 12 months and one day in prison for embezzling money from one client's 401(k) plan in order to meet the demands of another client who sought the return of previous investments.

Business Owner Found Guilty of Stealing Nearly \$53,000 From His Employees' 401(k) Profit Sharing Plan [\[10/29/10\]](#) – A president and business owner was convicted of embezzling from an employee benefit plan. The charges initiated from plan participant complaints to the Department of Labor's Employee Benefits Security Administration (EBSA). A plan participant had complained that the business owner had not contributed funds to the Plan that were withheld from employees' paychecks. Another complaint was received by EBSA stating that the business owner had refused to distribute funds from the 401(k) plan.

Business Owner Sentenced For Embezzlement And Tax Fraud [\[10/15/10\]](#) – A business owner was sentenced to three years probation, including 10 months of house arrest for embezzling \$44,591 from the employee benefit plan of the owner's company and for filing tax returns falsely claiming that he had contributed \$22,479 to a pension and profit sharing plan for the employees.

Administrator/Trustee of Retirement Trust Is Arrested for Embezzling Approximately \$260,000 From the Trust [\[08/06/10\]](#) – The owner of a business was charged with six counts of embezzling money from the company's defined benefit plan. The owner, in his role as plan administrator, is charged with issuing checks to himself from the Trust's bank account totaling \$263,000.

Attorney Sentenced to a 21 Month Prison Term [\[03/29/10\]](#) and [\[12/29/09\]](#) – An attorney was convicted on a charge of obstruction of justice and sentenced to 21 month prison term. An indictment charged that the attorney embezzled money from two employee pension benefit plans at the law firm, and then, as part of an effort to cover up his embezzlement, repeatedly lied, filed false documents with the U.S. Department of Labor (DOL) and committed other acts of obstruction during a DOL investigation.

Former Plan Trustee Sentenced to 30 Months for Stealing From Her Company's 401(k) Plan [\[02/11/10\]](#) – A former trustee for her company's 401(k) plan was sentenced to 30 months in prison, and ordered to pay \$241,208 in restitution for stealing from the employee's 401(k) accounts over a nine year period. She admitted to taking her former employees' 401(k) plan contributions for her own or her company's use, and that she lied to the Department of Labor to cover up her theft.

Plan Manager Sentenced for Plan Theft; Individual Sentenced to Prison for Money Laundering [\[09/14/09\]](#) – An individual was sentenced to prison for conspiracy to commit money laundering, and a former plan manager was sentenced for theft from an employee benefit plan. According to the guilty pleas and testimony at court proceedings, the individual was an intermediary between a corporate retirement plan manager and another person to illegally purchase drugs. The plan manager devised a scheme to divert funds from his employer's retirement accounts to pay for the drugs. He would identify members of the retirement plan whose plan statements were returned as undeliverable and changed their dates of service to ensure they would appear to be vested in the plan and entitled to distribution of

retirement income. He then changed the members' name and mailing address in the company's computer system to names and addresses provided by the intermediary.

Doctor Pleads Guilty to Converting Employee Pension Funds [\[04/28/09\]](#) – Former president and shareholder of a worker's compensation consulting and medical treatment clinic, intentionally removed assets from an ERISA plan, of which he was a trustee, by transferring, or authorizing the transfer of, funds to other accounts he controlled.

Former Business Owner Found Guilty of Grand Theft from Former Employees and Business Partners [\[4/16/09\]](#) – A former business partner of a real estate loan firm was found guilty of stealing \$97,186 from his former employees and business partners. Based on the business partner's status of plan trustee for the firm's 401(k) plan, the plan custodian allowed the business owner to transfer all of the plan assets into a personal IRA account.

Business Owner Pleads Guilty to Making False Statements [\[03/19/09\]](#) – A business owner pleaded guilty in federal court to making false statements to a government agency as part of a scheme to embezzle more than \$160,000 from the company's employee benefit plan. He admitted to embezzling \$161,000 from the 401(k) retirement plan by failing to forward to the plan prevailing wage pension contributions.

Owner of Defunct Company Pleads Guilty to Embezzlement of 401(k) and Health Plan Assets [\[11/21/08\]](#) – The owner of defunct company pleaded guilty to two counts of embezzlement of assets from the company's 401(k) and health plans. The indictment charged the individual with embezzlement of \$19,286.21 in 401(k) assets and \$5,583.38 in health care premiums by failing to forward retirement plan contributions deducted from employees' paychecks and not forwarding health care premiums withheld from employee wages.

Former Company President Sentenced for Embezzlement Related Charges [\[11/03/08\]](#) – An individual was sentenced to three years and 10 months in prison on federal wire fraud and tax evasion charges. The individual embezzled over \$824,333 from the company and failed to report the stolen money as income on her federal tax returns. The company is owned entirely by its ESOP. The individual, who was formerly the CFO and then President of the company, admitted that she engaged in a scheme to defraud the company by issuing duplicate paychecks to herself for over four years and issuing company checks to herself, family members, and others for her personal expenses. She also admitted to tax evasion based on her failure to report the embezzled money as income and to pay taxes on the money.

Owner Sentenced to Prison for Stealing from Pension Plan [\[10/27/08\]](#) – The owner of a technology firm was sentenced to a year in prison for embezzling over \$100,000 from the company's 401(k) retirement plan and converting the monies to his own use.

Regional Health System and Former President Plead Guilty In Federal Court [\[08/21/08\]](#) – The company pled guilty to one count of false statements relating to healthcare matters, one count of embezzlement from an employee benefit plan, one count of healthcare fraud, and two counts of mail fraud. The company made false statements to its employees relating to their healthcare coverage; as well as withheld 401(k) contributions from its employees and failed to forward the contributions to the employees' 401(k) plans; and filed false and fraudulent claims with Medicare and the state Medicaid Program.

Former President of Contracting Company Admits Misappropriating Employee Pension Funds [\[07/22/08\]](#) – A former company president admitted to one count of making a false statement in relation to documents required by ERISA. The individual signed the annual report for the Company's benefit and retirement savings plan knowing it contained a materially false statement of fact. The report stated that the plan had suffered no loss through fraud or dishonesty in the filing year, when the individual knew that the plan had a loss of \$49,738 from benefits not paid to the plan.

Business Owner Indicted for Embezzling from Employee 401(k) Plan [\[06/05/08\]](#) – A former owner of a business was indicted for embezzling funds from the company's employee pension benefit plan. The former owner allegedly failed to forward over \$86,000 in prevailing wage fringe benefits to the 401(k) retirement plan, instead keeping them for personal use.

Majority Company Owner Indicted for Theft from Retirement Plan [\[05/08/08\]](#) – A majority owner of a company was indicted on two counts of theft of employee benefit plan assets, alleging that retirement contributions withheld from employee paychecks for eleven months were never transmitted to the employee benefit pension plan but were retained for personal benefit.

Company Owner Sentenced to Probation for Embezzling from Profit Sharing Plan [\[05/02/08\]](#) – A company owner was convicted of converting over \$29,000 of employee profit sharing plan assets to his and another individual's own use and was sentenced in a federal court to 2 years' probation.

Former Owner Pleads Guilty to Failing to File Employee Benefit Return [\[02/27/08\]](#) – A former owner of a company pled guilty to failure to filing a Form 5500 return. The former owner also admitted that while he was the plan's fiduciary, the plan became underfunded by more than in employee payroll contributions. As part of a plea agreement with the government, the former owner agreed to pay restitution with interest.

President of Company Arrested on Charges of Embezzling Funds from Employee Pension Plan [\[09/07/07\]](#) – A president of a furniture company was arrested on charges of embezzling money from an employee pension plan and failing to file required financial reports for the plan. Over a period of almost 4 years, the president allegedly embezzled money for personal use from the company's employee profit sharing plan. He also faces a forfeiture allegation of at least \$1 million, representing the alleged proceeds from the charged offenses.

Executive of Company Sentenced after Pleading Guilty to Theft of 401(k) Assets [\[09/06/07\]](#) – An owner of a company was sentenced to 3 years' probation, fined \$2500, and barred from serving as fiduciary to any employee benefit plan after pleading guilty to theft of assets from his company's 401(k) plan.

Former Company Owner Convicted on Charges that He Embezzled Nearly a Half Million Dollars from a Retirement Pension Fund [\[08/27/07\]](#) – A former owner of a company was convicted on 10 counts of embezzlement from an employee pension benefit plan. Over a period of 18 months, the former owner allegedly embezzled over \$480,000 from his company's 401(k) plan.

Former Police Officer Sentenced for Theft of Pension Funds [\[05/07/07\]](#) – An owner of a company was sentenced to 72 months in prison and ordered to pay nearly \$540,000 in restitution after being convicted of theft and money laundering of pension funds.

Owner of Financial Firm Sentenced to 7 Years in Federal Prison for Stealing \$4.5 Million from Investors [\[05/03/07\]](#) – A former owner and controller of a company was sentenced to 84 months in prison after pleading guilty to 10 counts of mail fraud, one count of embezzlement from an employee benefit plan, and four counts of filing false tax returns. The defendant convinced several of his clients to provide him with over \$5.4 million to be invested in a fictitious investment account, which he then used for other business and personal expenses. He also retained for personal use over \$27,000 from the retirement plan by misrepresenting to employees that the money had been withheld from their paychecks and invested in the plan.

Contractor Sentenced to Prison for Theft of Employees' Pension Funds [\[04/27/07\]](#) – A president and sole shareholder of a company was sentenced to 5 years in prison and ordered to pay \$560,000 in restitution to his employees' pension plan from his conviction of failure to deposit pension fund

contributions withheld from employees' paychecks into the plan, of which he was the designated trustee. Over a period of 18 months, the defendant failed to deposit \$600,000 of withheld employee wages.

Company President Convicted of Embezzlement from Employee Pension Benefit Plan [04/18/07] – A president of a company was sentenced to one year of probation, ordered to pay restitution, and barred for a three year period from serving in a fiduciary or administrative role in any employee benefit plan after being convicted of embezzling money from an employee pension benefit plan. The defendant, who was the trustee of the company's participant-directed retirement plan, converted to his personal use over \$345,000 of funds from the plan.

Former Bookkeeper Sentenced to Two Years in Federal Prison, Without Parole, For Stealing From Pension Plan [01/30/07] – A former bookkeeper for a pension plan company was sentenced to 2 years in prison and ordered to pay restitution after pleading guilty to theft from an employee benefit plan. The defendant stole and embezzled \$300,000 from the company's accounts using wire transfers and forged checks.

Business Owner Indicted for Embezzling Employee Pension Plan [01/25/07] – An owner of a company was indicted for embezzling \$44,000 from his employee pension plan over a period of nearly 4 years.

Former Company Executives Sentenced to Prison for Fraud and Embezzlement [01/03/07] – A president and CEO, and the vice president of finance for were sentenced to 9 years and 7.25 years in prison, respectively, for fraud and embezzlement. The two defendants fraudulently obtained funds and failed to pay pension benefits and health care benefits due to employees. They also funneled select company proceeds into a secret account which they drew upon to grant themselves over \$700,000 in unauthorized bonuses. The company lost over \$17 million as a result of their actions.

Former Owner Indicted on Theft of Employee Pension Funds [12/19/06] – A former company owner was indicted on sixteen counts including mail fraud, wire fraud, and theft of employee pension funds. The former owner allegedly stole \$60,000 from the participants of a 401(k) profit sharing plan. Each of the fraud charges carries a maximum prison sentence of 20 years and the theft of pension funds charge carries a 5-year prison sentence; all carry a fine of up to \$250,000.

Executive Pleads Guilty to Embezzling Pension Assets [12/11/06] – A former vice president of a company pled guilty to two counts of embezzling employee benefit plan assets and converting the money to his own personal use. A plea agreement states that he is responsible for over \$500,000 in losses.

Owner and President Indicted for Embezzlement [10/05/06] – A company owner and president was indicted for embezzling moneys, funds, property and other assets from the employee pension plan.

Contractor Convicted of Theft from Employees' Pension Fund [11/03/06] – A contractor was convicted of theft from an employee benefit plan for failure to deposit any of the money that he withheld from his employees into their pension. During this period, he failed to deposit \$606,762.37 of withheld employee wages.

Former Executive Sentenced for Misuse [06/26/06] - A former company executive was sentenced to six months of home confinement, barred from future dealings with employee benefit plans, and ordered to pay restitution to the company's money purchase retirement plan in a plea agreement for misusing retirement assets. The defendant misrepresented to EBSA that more than \$80,000 owed to the company's retirement plan had been repaid.

Former President Sentenced for Stealing from Company, Employee Pension Plan [\[04/25/06\]](#) –

A former president of a company was sentenced to 3 years in prison and ordered to pay restitution plus interest for embezzling money from the company and the company's pension fund. The defendant became involved in a financial scam and stole \$146,000 from the company and the pension fund to finance what he believed was his end of the agreement. The defendant falsified receipts and had his bookkeeper record charges as legitimate business expenses to conceal the theft.

Former President and CEO Admits Stealing from Employee Pension Plan [\[01/30/06\]](#) – The former President and CEO of a group home operator admitted misappropriating more than \$46,000 from an employee pension plan. The President and CEO acknowledged transferring \$46,200 of the pension plan's funds to an account in Singapore, and then falsifying a receipt to make it appear that the funds had been invested on behalf of the pension plan.

Multiemployer Plans

Two Charged with Theft of Funds from Union Vacation Fund [\[05/08/12\]](#) – Two men have been charged in a one-count Indictment with theft of funds from a union vacation fund. The maximum penalty the men could receive is five years imprisonment and \$250,000 in fines.

Founder and President of Labor Union Convicted for Stealing from Union's Treasury and Pension Fund, Related Crimes [\[11/15/12\]](#), [\[04/01/11\]](#) and [\[06/30/10\]](#) – The founder and president of a national association that represents private security guards assigned to protect federal buildings was convicted of 18 counts related to his theft of union treasury and pension funds, including six counts of mail fraud, seven counts of theft from a labor organization, one count each of obstruction of justice and criminal contempt, and three counts of union recordkeeping offenses. The president wrote numerous checks totaling more than \$100,000 to himself or to other third parties from the union's pension plan checking account while falsely maintaining it was an operational fund that was providing benefits to the beneficiaries. He also committed criminal contempt of a court order addressing his prior misappropriation of pension and health plan funds after he resumed his scheme to defraud employers and union members of pension funds. In addition, while an officer and employee of union, he stole over \$150,000 in union funds consisting of cash withdrawals to himself, unauthorized salary increases and bonuses to himself and another person, fraudulently drawn checks to himself, and unlawfully used union funds to pay his personal fines in a civil lawsuit. He committed obstruction of justice by destroying or concealing union financial records during a grand jury investigation; failing to file required annual reports on behalf of the union, falsifying those reports, and failing to maintain properly the records of the union. He faces a maximum potential penalty of 20 years in prison and a \$250,000 fine on each of the mail fraud counts, five years in prison and a \$10,000 fine on each of the theft from a labor organization and conspiracy counts; five years in prison and a \$250,000 fine on the criminal contempt count; 20 years in prison and a \$250,000 fine on the obstruction count, and a year in prison and a \$10,000 fine for the recordkeeping offenses.

President of Drywall Company Sentenced for Misappropriating Employees' Wages, Pension and Benefit Funds [\[11/04/11\]](#), [\[01/04/11\]](#) and [\[09/08/10\]](#) – The owner and president of a union sheet-rocking company was sentenced to 24 months in prison on one count of providing a false statement to two labor union pension and benefit funds as part of a scheme to underpay employees for overtime and underpay the union for pension and benefit contributions required by collective bargaining agreements. In addition, the government sought restitution in the amount of \$3,286,553. The judge took that request under advisement and will issue an order at a future date. In his plea agreement, the owner admitted that in order to evade payments into the pension and benefit funds, he directed his employees to falsify time sheets and submit false information to the union pension and benefit funds that materially under-reported the hours worked by union employees.

Two Union Officers Arrested for Embezzlement [\[11/15/12\]](#) – Two union officers were arrested in connection with an embezzlement scheme that defrauded the union and its apprentice program of

\$350,000. The business manager and president of the union were charged with one count of conspiracy to embezzle from the union, two substantive counts of embezzlement from the union, one count of conspiracy to embezzle and four substantive embezzlement counts from the joint apprenticeship training fund (JATF). The business manager gave his then-girlfriend, a caterer, multiple sources of income at the union and at the JATF; he instituted a program requiring the apprentice fund to use the girlfriend's catering services to supply lunches to about 40 apprentice trainees for four days a week, for which she was paid approximately \$60,000 annually. He also hired her as member of his office staff at \$1,000 per week, plus 50 percent fringe benefits for health, pension and annuity funds. After eight months, she was given a raise to \$86,000 annually. Ultimately, she was assigned the part-time job of managing the union's office building. The two were married shortly thereafter. The indictment also charges that the union business manager and president went to the JATF's executive board and demanded repayment to the union of \$108,196, representing what the defendants claimed the union mistakenly paid for two years of the business manager's wife's salaries. The counts with which both defendants are charged are each punishable by a maximum potential penalty of five years in prison and a \$250,000 fine.

Former Employee Benefit Funds Administrator Pleads Guilty to Charges of Embezzling \$40 Million From Construction Workers' Union Funds [[10/11/11](#) and [02/17/10](#)] – A former plan administrator of a local union pled guilty to one count of theft and embezzlement in connection with the employee benefit plans, and one count of filing false personal income tax returns with the Internal Revenue Service. The plan administrator embezzled the money by writing checks that transferred huge sums of money out of the Union Funds' bank accounts into an account that she controlled. She then used the embezzled funds to finance her expensive lifestyle. She faces a total maximum sentence of eight years in prison.

Former Labor Union Employee Sent to Prison for Theft of Over \$400,000 in Employee Benefit Funds and Union Dues [[07/25/11](#)] – A former labor union employee was sentenced to 42 months in federal prison for theft of labor organization assets and employee benefit funds. The former employee pled guilty to one count of theft from an employee benefit plan and one count of embezzlement of labor organization assets. An audit and subsequent investigation revealed that while she was employed by the local union, she issued herself checks to pay for personal expenses and to pay her monthly credit card bill. She admitted to stealing a total of \$371,093.37 from an account held by the local union apprenticeship and training fund, an employee welfare benefit fund. Additionally, she admitted to stealing approximately \$40,000 in cash dues that were paid to the union by its members, but pocketed by her to pay for her own personal expenses. She then falsified the union's accounting records to hide the thefts from co-workers and the union's auditors.

Union Official Sentenced for Stealing from Training and Apprenticeship Fund [[06/08/11](#)] – A business associate for a local union was sentenced to five months in prison and ordered to make \$39,324 in restitution payments for embezzling from a union benefit plan. The business associate pleaded guilty to one count of theft from the union's joint apprenticeship and training fund. He served as the union's training program director and secretary-treasurer, and was responsible for overseeing and administering the program's finances, including payment for expenses, collecting dues and paying property taxes. He embezzled from the apprenticeship and training plan, using the money for personal expenses.

Founder and Treasurer of a Labor Union Charged With Stealing Pension Funds for Personal Use, Violating a Court Order and Obstructing Investigation [[04/01/11](#) and [06/30/10](#)] – The founder and treasurer of a labor union was charged with mail fraud, theft from a labor organization, obstruction of justice, criminal contempt and various recordkeeping offenses related to his operation of a pension plan for union members. According to the indictment, the treasurer wrote numerous checks totaling more than \$100,000 to himself or other third parties from the checking account where he had placed funds intended for the pension plan. While at the same time falsely maintaining that the checking account was an operational fund that he was properly administering and that was providing benefits to the beneficiaries.

Local Union Plan Employee Sentenced to Prison for Embezzling from Union Apprenticeship Program [[03/25/11](#)] – An employee of a Union Apprenticeship Program was sentenced to 30 months in federal prison for embezzling more than \$1 million from the plan. She routinely and without permission or authorization used an online banking system to transfer funds between various plan bank accounts, and

then created and printed checks made payable to either herself or a fictitious payee. Later, she either deleted or renamed the payees identified in the bookkeeping system to conceal her actions.

Six Charged with Labor Offenses Including Unlawful Payments to Union Officials and Embezzlement from Employee Benefit Plans [\[03/22/11\]](#) – Six people were charged with numerous offenses including fraud, conspiracy, and embezzlement. The indictment stated that an agreement was reached to allow a construction project to use laborers from a different local union, in order to circumvent the collective bargaining agreement which required employers to pay into their specific benefit fund. As a result, the union benefit fund was deprived of approximately \$1.7 million.

Minister Sentenced to 30 Months for Embezzlement of Union Funds [\[01/18/11\]](#) – A local pastor who also managed a local union's health and welfare fund, pension fund, and vacation fund was found guilty of embezzling from these funds. An audit of the local union's funds resulted in the identification of eleven checks issued from the funds to the pastor's church totaling \$813,142, all of which were unsupported by proper documentation. After unlawfully diverting the money to the church's funds, the pastor disbursed the money for his personal benefit and for the use of his parishioners and associates.

President of Drywall Company Pleads Guilty to Misappropriating \$190,000 in Wages, Pension and Benefit Funds [\[01/04/11\]](#) and [\[09/08/10\]](#) – The owner and president of a union sheet-rocking company pleaded guilty to one count of providing a false statement to two labor union pension and benefit funds in connection to a scheme to underpay employees for overtime and to underpay the union funds for pension and benefit contributions required by collective bargaining agreements. In his plea agreement, the owner admitted that in order to evade payments into the pension and benefit funds, he directed his employees to falsify time sheets and submit false information to the union pension and benefit funds that materially under-reported the hours worked by union employees.

Administrator of Local Union's Education Fund Pleads Guilty to Using His Position for Personal Gain and Embezzlement [\[08/09/10\]](#) – A former administrator of a local union education fund pleaded guilty to one count of receiving kickbacks to influence an employee benefit plan and one count of embezzlement from an employee benefit fund. The charges resulted from using his position to receive free and discounted audio visual equipment and free labor from a service provider to the Fund and to embezzling furniture from the Fund.

Union Officer Sentenced for Embezzling Over \$300,000 in Union Funds [\[04/30/10\]](#) – A former president of a local union was sentenced to 30 months in prison for embezzling funds from the union and from the employee welfare and pension plans. The former president transferred funds from the union's pension and welfare plans to the union operating account. He then made cash withdrawals from the union operating account, as well as wrote checks payable to himself on the union operating account then cashed the checks or deposited the union funds into his personal bank accounts. He made misrepresentations about why the money was being paid, listing the checks and other documents as being for various purposes, such as first quarter operating expense, reimbursement of pensioner's medical payments, and plan administering salary.

Hurricane Katrina Evacuee Convicted of Defrauding Deceased Father's Pension Plan [\[01/13/10\]](#) – An individual was convicted of stealing thousands of dollars from her deceased father's pension plan. She admitted to fraudulently cashing a total of nearly \$50,000 in monthly pension checks from her father's union that were addressed to her father who passed away in February 1998.

Consultant Pleads Guilty to Giving a Kickback to Union Boss [\[01/12/10\]](#) – A consultant to a deal involving the construction of a casino that was funded by a Union Pension Trust Fund, pleaded guilty to giving a kickback to a former union leader. The consultant admitted to promising a one-third interest to the former union leader in an \$800,000 investment in return for the former union leader requesting the investment manager of the Trust Fund to use the consultant's company as a consultant on a pension fund investment in a casino in Biloxi, MS.

Former Pension Benefit Manager Sentenced for Embezzlement [\[10/29/09\]](#) – A former plan manager was sentenced to 27 months in prison on federal charges of embezzling money from the union pension and welfare plans. According to court documents, the former manager caused a series of payments to be made from the Pension Plan and the Health and Welfare Plan based on false invoices which he created. Some of the payments were made to his personal bank account and loans.

Eight Indicted for Rehiring Workers Locked Out During Labor Dispute [\[09/19/08\]](#) – The indictment alleges that individuals directed and caused their subordinates to rehire locked-out employees to work under false identities to hide the illegal activities from labor unions, the Internal Revenue Service, and the Social Security Administration. According to the indictment, by secretly rehiring hundreds of locked-out employees under false identities, they caused managers to falsify the employment records of hundreds of locked-out employees, including various forms filed with government agencies. The indictment also alleges that the individuals caused the company to submit false reports to trust funds responsible for providing pension and health benefits for current and retired workers. The indictment alleges that, in combination with a secret revenue sharing agreement that the company executed with its two main competitors, the covert rehiring of locked-out workers was intended to better the company's position in a labor dispute by, among other things, mitigating the financial and operational hardships of a complete lockout.

Former Union Business Agent Admits Embezzling More Than \$800,000 in Union Funds [\[06/18/08\]](#) – A former union business agent pleaded guilty to embezzling approximately \$829,000 from a local 89 union and one of its employee benefit funds. The individual was charged with embezzling approximately \$396,000 from the checking account of local union's apprenticeship and training committee fund while he was the administrator of the fund. The individual was also charged with embezzling approximately \$433,000 in remittance checks received from employers having collective bargaining agreements with the local union. The individual acknowledged that he wrote approximately \$829,000 in checks out of the local union checking account which were payable to himself personally or to cash, and that thereafter he cashed these checks and used the proceeds solely for his own personal benefit, rather than for the benefit of the plan. He also admitted that approximately \$433,300 of the money that he improperly withdrew from the account represented remittance checks that he stole from the local union's office and then deposited directly into the plan account when it became significantly depleted due to his improper withdrawal of funds for his personal benefit.

Former Local Business Agent Admits Taking Bribes from Contractors, Implicates Others [\[03/26/08\]](#) and [\[03/11/08\]](#) – A former business agent of a local union pled guilty to seven counts of taking bribes from a variety of contractors in exchange for permitting the contractors to avoid employing and paying the union's members. The defendant also implicated other local union officers. Each count charged the former business agent with conspiracy to demand and receive unlawful labor payments totaling over \$175,000. Each count carries a statutory maximum prison sentence of 5 years and a \$250,000 fine.

Individual Indicted for Forgery and Theft from Union Pension Plan [\[06/28/07\]](#) – A wife of a local union pension plan participant was indicted on charges of forgery and theft from a pension plan. She allegedly applied for pension benefits without the authority or knowledge of her husband, and unlawfully collected over \$21,000 from the trust.

Four Former Union Officers and Employees and Accountant Indicted in Embezzlement Scheme [\[04/27/07\]](#) – Four former labor union officers and employees, as well as the union's accountant, were indicted for their scheme to embezzle over \$250,000 from the labor union. The alleged scheme involved generating salaries for family members and friends of a former union officer who was barred after a conviction for filing false ERISA documents. Each of the eight counts, which include conspiracy to embezzle and making false statements to a grand jury, carries a prison sentence of up to 5 years and a fine of up to \$250,000.

Former Union President Indicted for Embezzling Funds [\[04/03/07\]](#) – A former president of a local union was indicted on multiple counts of embezzlement of funds from a health and welfare plan protected by ERISA. The former union president allegedly embezzled at least \$80,000 over a period of 5 years from several union funds. If convicted, he faces up to 5 years in federal prison and a fine of up to \$250,000.

Company Pays \$70 Million to Resolve Criminal Case of Rehiring Workers During Labor Dispute [\[11/14/06\]](#) and [\[06/30/06\]](#) – A company was sentenced to court probation for three years after pleading guilty to charges including conspiracy, identity fraud, and concealment of facts from an employee benefit plan. The company rehired locked-out workers under false identities during a labor dispute and concealed the illegal rehiring from its trustees. The concealment allowed the company to avoid payment to the unions' pension and benefit plans. As part of a plea agreement, the company was ordered to pay \$70 million in criminal fines and restitution.

Member of an Organized Crime Family Pleads Guilty to Fraud Charges in Connection with a "No-Show" Job at a Doctor's Office [\[07/18/06\]](#) – A member of an organized crime family pled guilty to conspiracy to file false income tax returns, health care fraud, and mail fraud stemming from a scheme with another individual to defraud the IRS and fraudulently obtain benefits from a local union. The defendant allegedly filed false tax returns and attempted to file for health care coverage for his family by falsely claiming that he was an employee of a co-conspirator's business. If convicted, he faces 5 years in prison on each of the conspiracy charges and up to 20 years for the mail fraud charge. His co-conspirator was previously convicted of similar charges and sentenced to six months in prison.

Third-Party Administrator Pleads Guilty to Defrauding Pension Plans and to Embezzling from Pension and Welfare Plans [\[06/30/06\]](#) – A TPA pleaded guilty to an information charging him with defrauding eleven union local pension funds of \$5,000,000 and with embezzling \$1,930,154 from five union local pension and health and welfare plans. The TPA admitted to defrauding the union local pension plans by recommending to the trustees of the plans that they change their investments to mutual funds being administered by a life insurance company. However, instead of causing the plans' assets to be invested in mutual funds, the TPA caused the assets to be invested in group annuity contracts. Under those contracts and the TPA president's own contract with the insurance company, the TPA and another corporation operated by TPA president received \$5 million in fees and commissions.

Former Administrator Sentenced for Embezzling [\[06/28/06\]](#) – A former benefits administrator for a local union's annuity fund was sentenced to 6 months of home confinement, 3 years of probation, and fined \$2,000 after pleading guilty to embezzling money from the fund he administered. Over a period of 2 years, the former administrator misused office equipment to issue checks payable to himself from the fund totaling over \$20,000.

Man Pleads Guilty To Paying A Kickback In Connection With Union Pension And Health And Welfare Plans [\[06/23/06\]](#) – A man pled guilty to giving a \$9,700 kickback to an individual because of his duties concerning several union local pension plans and health and welfare plans. The charge carries a maximum sentence of up to 3 years in prison and a fine of up to \$250,000.

Former Plan Administrator Pleads Guilty to Embezzling More Than \$20,000 [\[03/29/06\]](#) – The former benefits administrator of a local union annuity fund pled guilty to embezzling approximately \$21,888 from the fund. The administrator misused the office signature stamps to issue 36 checks made payable to himself. The checks were issued without the knowledge or authorization of fund officials and were disguised as extra salary checks.

Medical, Health and Death Benefit Plans

Owner of Benefit Plan Administration Company Sentenced to 51 Months for Fraud and Filing an False Tax Return [\[01/10/13\]](#) – The owner and operator of a company that administered flexible benefits

plans for tax-free, qualified benefits, such as health care and dependent care, was sentenced to 51 months in prison for wire fraud and filing a false tax return. He also was ordered to serve three years of supervised release following his prison term and pay \$999,930.90 in restitution--\$954,640.90 to company victims and \$45,290 to the IRS—for the tax loss. The company received monetary contributions from its employer-clients of pre-tax withholdings from their employees' paychecks, which were deposited into company bank accounts and set aside to pay the claims of employee-participants when they came due. The owner misappropriated \$954,640.90 of client funds and used them to pay personal credit card charges and the business expenses of another company. In addition, he misappropriated \$2 million of the payroll company's employer-client funds, wired them into his personal brokerage account, and then invested the funds in the stock market. The defendant's personal investment account generated approximately \$192,436 in capital gains income, which he wired into his and his wife's personal checking account. The wire transfer was annotated "E-Trade Gains." However, he intentionally failed to report capital gains income from his personal investments on his 2007 or 2008 tax returns, causing a tax loss of \$45,290. For this conduct, he pleaded guilty to one count of filing a false tax return.

Chiropractor Convicted of Federal Healthcare Fraud Charges [\[11/08/12\]](#) – A chiropractor and his clinic were convicted of billing multiple insurance companies for x-rays never taken and for appointments that the patients had canceled or missed. His billing assistant previously pled guilty to related charges. They submitted numerous reimbursement claims that falsely stated that the clinic had taken more x-rays than were actually taken, and because health insurance companies would not reimburse the clinic if a claim indicated the patient had missed an appointment and had not received a billable service, using false codes they submitted thousands of false claims for missed appointments. The chiropractor and his clinic were convicted of one felony count of health care fraud. The chiropractor was convicted of three counts of making false statements related to health care services; the corporation was convicted of four counts of making false statements. Each count of health care fraud carries a maximum penalty of ten years in prison and/or fines up to \$250,000; each count of making false statements carries a maximum of five years in prison and/or fines up to \$250,000. The corporation faces maximum fines up to \$500,000 per count. Additionally, the defendants are subject to forfeiture to the government of all money derived from their illegal activity.

Former Association President Pleads Guilty to Conspiracy to Commit Mail Fraud, Wire Fraud, Identity Fraud, and Health Care Fraud [\[08/31/11\]](#) and [\[11/18/10\]](#) – The former president admitted to systematically diverting funds out of a medical benefit plan trust under the guise of administrative expenses of the trust. He faces a maximum penalty of five years in prison and/or a \$250,000 in fines, and a \$100 special assessment.

Health Insurance Executives Indicted [\[08/11/11\]](#) – Seven men and two women have been indicted for a wide array of crimes committed between 2006 and 2010 through a health insurance company. At the heart of the conspiracy charged in the indictment was the health insurance company's practice of excluding from coverage, or "carving out," clients with health risks so severe that they might interfere with the health insurance company's bottom line. The indictment alleges dozens of false statements and misrepresentations that the conspirators made in furtherance of their scheme, along with charges of intentionally misapplying over \$1.7 million of funds that clients had entrusted to the health insurance company to pay health claims.

Health-Plan Founder Indicted for Mail Fraud, Embezzling Plan Funds and Money Laundering [\[04/05/11\]](#) – The owner and operator of a health plan company was charged with one count of mail fraud, one count of theft or embezzlement and 18 counts of money laundering by misrepresenting the insurance coverage purchased, kiting checks, and falsely representing that claims for health services were paid.

Employee Benefit Plan Manager Sentenced to More Than Five Years in Federal Prison for Stealing \$1 Million [\[03/24/11\]](#) and [\[04/19/10\]](#) – The owner of an employee benefit plan which provided client employees with life insurance and disability benefits pleaded guilty to one count of bank fraud, two counts of wire fraud, and one count of embezzlement and theft from an employee pension or welfare benefit plan. He stole \$655,893 by failing to send insurance premiums to the appropriate insurance carrier, by taking loans from the value of participants' insurance policies, and by diverting proceeds from policies that

a plan participant had directed him to surrender and transfer to another insurance company. He also defrauded the former trustee of the Plan and Trust of \$344,516. He also created fraudulent policy statements for several of the plan participants, which purported to show that the premiums paid by participants had been forwarded in full to the insurance companies, and that no loans had been taken on the policies.

Health Care Facility Operator Charged with Health Care Fraud, Mail Fraud and Aggravated Identity Theft [\[03/03/11\]](#) – A former owner and operator of multiple health care facilities was charged in a scheme to defraud a health care corporation, which provided TPA services for an employee health care benefit plan, of more than \$321,000. It was alleged that the owner caused hundreds of false claims to be submitted for services purportedly rendered to patients when no such services were provided and no licensed medical professional provided such services.

Former Health Care Plan Employee Admits Embezzling Nearly \$50,000 From Plan [\[10/20/10\]](#) – An individual pleaded guilty to one count of theft in connection with a health care benefit program. The woman was employed as the Eligibility Manager for prescription claims with a health benefit plan for 15 years. She admitted to submitting false claims for reimbursement for prescription drugs by overriding the system's documentation requirements. She received approximately \$46,476 from the Benefit Plan for claims she submitted for prescription drugs she never received by changing the date on old receipts and submitting as new receipts to receive double payment and creating false receipts from a pharmacy, where she formerly was employed.

Former Physician Agrees to \$20 Million Settlement With U.S. Covering Civil False Claims Allegations By Whistle-Blower [\[09/29/10\]](#) – A former physician was sentenced to five years in prison for stealing millions of dollars from Medicare and more than 30 other public and private health care insurance programs, and has agreed to a \$20 million settlement with U.S. covering related civil claims. In the criminal case, the physician admitted using his hospital privileges to obtain information about patients without their knowledge or consent. He then hired individuals to bill Medicare and other insurance providers for medical services that he purportedly rendered to patients whom he never treated.

Former Corporate Benefits Manager Sentenced to 57 Months in Prison For Defrauding Health Care Plan of More Than \$6 Million Dollars [\[09/22/09\]](#) and [\[11/12/08\]](#) – A former senior manager of human resources of an international corporation pleaded guilty to one count of health care fraud and one count of money laundering. The former senior manager opened an unauthorized corporate account in the name of the Health and Welfare Trust and deposited almost \$8 million into that account in checks, made payable to the plan, from, among other entities, insurance companies and health care providers. The senior manager used the account to pay for personal and family expenses.

Former Business Owner Pleads Guilty to Stealing from Employee Benefit Plans [\[04/27/09\]](#) – An owner of operator of an independent third party employer health benefit claims administrator pled guilty to embezzling and converting over \$1.1 million in premiums from employee welfare benefit plans. She admitted to converting reinsurance premiums collected from her clients to her own use and to the use of her company. As a result, clients sustained losses in excess of \$2 million in health claims which should have been covered by reinsurance but were not.

Employee Benefit Plan Officials Are Sentenced for Interfering with the Exercise of Rights of Participants [\[08/06/08\]](#) – Three former officials of a professional employer organization pled guilty to unlawfully interfering with the exercise of rights of participants in an accident and health employment medical care plan. The charges stemmed from their individual involvement as plan fiduciaries. The defendants continued to enroll employers even though the self-funded benefit plan was experiencing severe financial problems and was unable to pay health care claims on a current basis.

Individual Pleads Guilty to Health Care Fraud after Five Year Flight from Justice [\[07/25/08\]](#) –

An individual pled guilty to one count of theft or embezzlement in connection with a health care benefit program. The individual had been previously indicted for one count of theft in connection with a health care benefit program and one count of false statements relating to health care matters, but never appeared to answer these charges in court, and subsequently became a fugitive. The individual was hired by a benefit claims processing company to supervise health plan claims processing. In this position, the individual processed and paid medical claims for the health care plan. The individual created a fictitious physician identity and paid claims to this fictitious individual for services that were never rendered. The individual cashed a total of 14 checks that were issued to this fictitious identity, which totaled \$88,441.

President and Chief Executive Officer Indicted for Making a False Loan Application, Tax Evasion, Failing to File Tax Returns, and Embezzling Money From a Health Care Benefit Program

[\[03/18/08\]](#) – A president and CEO of a company was indicted for making a false loan application, tax evasion, failing to file tax returns, and embezzling money from a health care benefit program. The president allegedly attempted to conceal his true taxable income through the use of an incorrect social security number and converted over \$30,000 of employee health care benefit program assets to another individual's personal use.

Co-Owner of Health Plan Sentenced for Embezzling Health Care Premiums [\[12/21/07\]](#) – A former co-owner of a company was sentenced to 57 months in prison after pleading guilty to two counts of embezzling health care premiums and eleven counts of money laundering. The former co-owner embezzled approximately \$700,000 of premiums paid for coverage under the company's health plan and used them for personal benefit.

Federal Indictment Charges Individual with Healthcare Fraud, Wire Fraud, Mail Fraud and Money Laundering [\[11/30/07\]](#) – A woman was indicted on charges of healthcare fraud, mail fraud, wire fraud, and money laundering. The woman allegedly solicited self-employed individuals to apply for low-cost health insurance and represented these applicants to be employees of various fictitious companies. The woman also allegedly contracted with staffing agencies to provide discounted group insurance premium rates and collected payroll checks and excess amounts of falsely inflated premiums for personal gain. If convicted on all counts, she faces a maximum statutory sentence of 250 years in prison, a \$4.25 million fine, and forfeiture of money and property.

CPA Sentenced to More Than 27 Years in Federal Prison, Without Parole, on Fraud Conviction [\[10/01/07\]](#) – A CPA was sentenced to more than 27 years in prison, without parole, after pleading guilty to six counts of wire fraud. The former CPA collected over \$400,000 of what his victims thought were premium payments on fraudulent workers' compensation insurance plans.

Two Businessmen Indicted in Insurance Scheme to Defraud Insurance Company [\[09/27/07\]](#) – Two businessmen were charged with conspiracy to commit health care fraud, wire fraud, making false statements in relation to a health care matter, and destruction of evidence. The two men, a co-owner of a business and his insurance agent, conspired to lower the company's premium rates by misrepresenting the number, hire dates, and health conditions of its employees to its insurance provider. Both face imprisonment and fines ranging from \$500,000 to \$1,500,000.

Stockbroker Found Guilty of Conspiracy, Bank Fraud and Wire Fraud Involving Stolen Enron Check [\[09/19/07\]](#) – A stock broker was found guilty on charges of conspiracy, bank fraud, and wire fraud stemming from a scheme that involved stolen checks from several U.S.-based firms, one of which was for payment of an employee's disability benefits. The defendant stole and fraudulently altered checks to be made payable to his shell company and employer and disbursed the funds to himself and his co-conspirators. The investigation revealed he had intercepted five checks totaling more than \$2.7 million.

CPA Pleads Guilty to Fraud Charges [\[04/30/07\]](#) – A CPA pled guilty to all counts in a six-count indictment charging wire fraud for the purpose of conducting an elaborate insurance fraud scheme. The allegations included presenting a marketing pitch to sell fraudulent workers' compensation insurance plans at below-market prices.

Former Vice President of Sales Sentenced on Federal Charges of Fraud [\[04/10/07\]](#) – A vice president of sales for a company was sentenced to 51 months in prison and ordered to pay over \$3.4 million in restitution after pleading guilty to fraud charges. The defendant engaged in fraudulent activity involving the sale of insurance policies to corporations, causing losses to his company.

Ten Individuals, Including 4 Doctors, Indicted in Alleged Scheme to Defraud Patients and Insurance Companies in Connection with Allergy Testing and Shots [\[02/15/07\]](#) – Ten individuals, including four doctors, were indicted in a scheme to defraud individuals and insurance companies under the guise of an allergy testing clinic. The alleged scheme involved submitting fraudulent insurance claims and doctor's notes to insurance companies to convince them to pay for the claims. The operation defrauded insurance companies out of more than \$1.5 million and victimized over 500 patients. The charges, which include wire fraud, mail fraud, and conspiracy to misbrand drugs, carry prison sentences of up to 20 years and fines in excess of \$250,000.

Operator of Company Going To Prison for 25 Years For Operating Bogus Health Insurance Provider [\[02/05/07\]](#) – An operator of a company was sentenced to 25 years in prison and ordered to pay \$20 million in restitution after pleading guilty to conspiracy, mail fraud, misappropriation in connection with a health care benefit program, and money laundering. The defendant's company falsely purported to provide health care coverage to its clients by misrepresenting that its coverage plans were insured by legitimate insurance companies. The defendant and two co-conspirators collected more than \$13 million in premiums from clients who thought they were insured. His girlfriend has pled guilty to misappropriation and subscription to a false tax return and faces up to 23 years in prison.

Employees Sentenced for Healthcare Fraud Conspiracy [\[12/18/06\]](#) – Two employees of a medical office were sentenced to 2 years in prison and ordered to pay over \$350,000 in restitution after pleading guilty to healthcare fraud conspiracy. The two employees conspired to defraud various health care benefit programs by billing fraudulent claims. The owner of the practice entered into a plea agreement and was sentenced to 18 months of probation.

Office Manager and Billing Manager for Physician Plead Guilty to Healthcare Fraud Conspiracy [\[07/20/06\]](#) – An office manager and billing manager pled guilty to one count of healthcare fraud conspiracy relating to the operation of medical practice. As part of the scheme to defraud and in furtherance of the conspiracy, one individual established policies and procedures at the health management center that directly benefitted herself and another individual financially and which defrauded health care benefit programs, including Medicare, Medicaid, and private employee benefit programs. As part of the conspiracy, the individual submitted billing claim forms to Medicare, Medicaid, and other employee benefit programs on behalf of a physician and the health center for tests that were not actually performed.

Audiologist Sentenced to Prison for Fraud in Providing Hearing Aids to Miners [\[07/17/06\]](#) – An audiologist was sentenced to 12 months and one day imprisonment, fined \$50,000, and paid restitution in the amount of \$172,786 after pleading guilty to charges of mail fraud, healthcare program fraud and structuring offenses involving claims for reimbursement for expensive hearing aids provided to beneficiaries for which forged doctor's prescriptions were submitted.

Former Company President Sentenced for Embezzlement and Bank Fraud [\[06/27/06\]](#) – A former president and majority shareholder of a company was sentenced to 38 months in prison and ordered to pay more than \$1 million in restitution after pleading guilty to embezzlement from a health care

benefit plan and bank fraud. During a period of six months, the former president embezzled over \$31,000 of employees' health care premiums withheld from their payroll.

Mail Fraud Involving Health Plan Assets [\[06/29/06\]](#) – An attorney and benefit administrator were charged with misleading workers into believing they were covered by health insurance by establishing an entity as a third party administrator to health benefit plans. The company accepted contributions and paid benefit claims from its own accounts. One individual admitted to using employee benefit plan assets to purchase a home and a boat and for other expenses, while failing to pay health claims. This resulted in more than \$15 million in unpaid health claims for 2,800 workers. He also deceived the workers by providing them with false information assuring them claims would be paid.

Individual Pleads Guilty to Health Care Fraud [\[03/13/06\]](#) – A former owner and CEO of a company pled guilty to healthcare fraud. The company administered medical benefits to employers who self-insured their employees. The former owner misappropriated \$4.5 million of client-provided funds from the company's claims account into operating accounts.

Judge Orders Imprisonment of Businessman For Failure to Produce Documents [\[03/07/06\]](#) – A judge ordered the imprisonment of a man for failing to produce documents requested by administrative subpoenas. The EBSA sought documents relating to a death benefit plan marketed to businesses nationwide.

Other

Former Union President Found Guilty of Stealing Tens of Thousands of Dollars from Union and Failing to Report Income [\[01/28/13\]](#) and [\[07/31/12\]](#) – The former president of a labor union that represents home healthcare workers was convicted of federal charges of embezzling tens of thousands of dollars from the union. He was found guilty of four counts of mail fraud, seven counts of embezzlement and/or theft of labor union assets, one count of making a false statement to a federally insured financial institution, and two counts of subscribing to a false tax return. The former president pilfered money from two union locals by diverting reimbursement payments from a public-sector union. For over a year, he concealed from the executive boards of the locals that he was receiving payments of \$2,500 per month in addition to the regular salary that he received from the local. He also used a union credit card to pay \$8,105 in personal expenses he incurred during a trip to Honolulu, Hawaii, including expenses related to his wedding ceremony. He also stole nearly \$17,000 from a local by routing funds through a not-for-profit corporation that was closely aligned with the union by requesting the local executive board make payments to the not-for-profit corporation that he then diverted to himself. The false statement charges relate to lies he told to a bank representative that one local paid for his personal credit card debt and the monthly lease payments for his luxury vehicle. The former president was also failed to report approximately \$63,000 in income he received over two years. Each count of mail fraud carries a statutory maximum sentence of 20 years in federal prison. Each count of making a false statement to a federal insured financial institution carries a statutory maximum sentence of 30 years in federal prison. Each count of embezzlement and/or theft of labor union assets carries a statutory maximum penalty of 10 years in prison. The charge of subscribing to a false tax return carries a statutory maximum penalty of three years in prison.

Federal Jury Convicts Bank Officer and Customer in Connection to Multimillion Dollar Check-Kiting Scheme [\[04/06/12\]](#) and [\[09/22/11\]](#) – A federal jury found a bank officer and a bank customer guilty of fraud related to the customer's multimillion-dollar check-kiting scheme and a loan scheme orchestrated in an effort to conceal the check kiting from the bank's board. The former bank president was convicted of five counts of misapplication of bank funds. The bank customer was convicted on two counts of bank fraud, and one count of theft from an employee benefit plan. For more than two and a half years, the bank president concealed the customer's check-kiting scheme by establishing five fraudulent loans totaling \$1.9 million. The customer wrote increasingly larger-dollar bad checks between two banks, until the second bank discovered the scheme and returned over \$1.8 million in bad checks to the other bank. While the bank president took steps to conceal from the bank's board the true nature of the five

loans made to the straw borrowers, the scheme was uncovered during an independent audit. At that time, the bank terminated the president's employment. The bank was then required to declare the loans as losses, rendering the financial institution undercapitalized and forcing it to be closed by regulators. Additionally, for nearly a year and a half, the customer embezzled more than \$160,000 in employee payroll contributions from the 401(k) account at a company he owned. He used the funds to pay company bills and repay the straw loans as well as for his personal benefit. For their crimes, the defendants face a potential maximum penalty of 30 years in prison on each count of bank fraud and misapplication of bank funds. In addition, the customer faces a potential maximum penalty of five years for theft from an employee benefit plan.

Former Payroll Processing Company Executives Charged with Conspiracy, Fraud and Tax Charges [\[03/02/12\]](#) – Three former executives of a payroll processing company were charged by a federal grand jury for their roles in a multi-million-dollar fraud perpetrated by the company. Two of the individuals face one count of conspiracy, three counts of wire fraud, three counts of theft from an employee pension benefit plan, and four counts of money laundering. In addition to those charges, one of those individuals faces four counts of filing a false tax return. A third individual faces a single count of criminal conspiracy. The different offenses carry varying maximum penalties from three years to twenty years of imprisonment. According to the indictment, the company diverted client tax, health insurance plan, and 401(k) employee withholdings to personal use, including, among other things, the purchase of a houseboat and various home renovations and to prop up several start-up businesses affiliated with the company. In addition, over a period of six quarters, the company paid approximately \$83 million in gross wages to its employees, company business units, and certain company clients but only reported to the IRS approximately \$4 million in gross wages for those same entities, and only remitted approximately \$1.23 million of the clients' approximately \$20 million tax liability. The indictment also alleges that one individual filed four false federal tax returns for the company and the company's business units, reporting \$2.4 million in gross wages instead of the \$6.2 million in gross wages it had paid to employees; that the company offered a health insurance plan to clients but failed to adequately fund that health insurance plan with clients' premiums (at one point, the company had outstanding unpaid health insurance claims of approximately \$3.8 million); and instead of directing approximately \$44,000 of employer and employee contributions to a 401(k) plan, the defendants diverted it to the company's business or their personal use.

Investment Advisor Sentenced for Defrauding Clients [\[11/16/11\]](#) – An investment advisor was sentenced to five years in prison to be followed by three years of supervised release for wire fraud, embezzlement from pension funds, and money laundering. Restitution in the amount of \$3,146,282 was awarded to the victims of his crimes. The advisor pleaded guilty to 17 counts of wire fraud, two counts of embezzlement from an Employee Pension Benefit Plan, and four counts of money laundering. He engaged in a scheme to take money from his investment advisory clients for his personal benefit by submitting forged wire transfer papers to the independent custodian of his clients' funds and arranging to have the money sent to individuals and bank accounts of his choosing. This included taking over \$500,000 from a client to pay for a new house. He also induced clients to deposit money in a bank account for his personal benefit while falsely representing that the funds would be invested in a hedge fund for the benefit of the clients. In total, the advisor illegally took over \$3 million from his clients.

CEO Charged in \$4 Million Ponzi Scheme [\[10/25/11\]](#) – An owner and CEO of a company was indicted for allegedly operating a "Ponzi" type scheme in which he defrauded investors out of more than \$4 million. He was charged with six counts of mail fraud and four counts of wire fraud. Each count of mail fraud and wire fraud carries a maximum penalty of 20 years in prison, and a \$250,000 maximum fine, or an alternate fine totaling twice the loss or twice the gain, whichever is greater.

Major Insurance Company Enters Agreement to Resolve Investigation and Pay \$13,500,000 in Connection With Improper Payments Made to Insurance Broker [\[04/15/10\]](#) – According to the Non-Prosecution Agreement entered into by the insurance company, the company knowingly implemented a program of undisclosed and unreported payments designed to induce the insurance brokerage firm and its CEO to recommend the insurance company to the brokerage firm's clients. The insurance company's sales force was also instructed to leverage the improper payments to promote their products. These improper payments were typically denoted as communication fees, request-for-proposal (RFP) fees, or

enrollment fees. These hidden fees were, in turn, generally included in the rates charged by the insurance company to insureds.

Former CEO Of An Employee-Benefits Administration Company Sentenced to 151 Months in Prison [\[09/04/09\]](#) – A Former CEO was sentenced to 151 months in prison for orchestrating an extensive fraud in which he embezzled over \$19 million from thousands of victims' 401(k), health-savings, and dependent-care accounts. The Former CEO pleaded guilty to 29 counts of embezzlement of ERISA funds, one count of mail fraud, two counts of wire fraud, six counts of money laundering, and four counts of criminal contempt. He admitted to never properly investing any of the 401(k) funds with which he had been entrusted, and instead embezzled approximately \$14.5 million in 401(k) rollovers, conversions, and contributions. In addition, he admitted to embezzling approximately \$4.8 million in funds from other employee-benefit programs, such as flexible-spending account, health-savings accounts, and dependent care account.

Individual Pleads Guilty to Eleven Felony Counts Related to Operating Ponzi Scheme [\[03/12/09\]](#) and [\[03/10/09\]](#) – An individual pleaded guilty to eleven felony counts related to a massive Ponzi scheme, securities fraud, investment adviser fraud, mail fraud, wire fraud, three counts of money laundering, false statements, perjury, false filings with the SEC and theft from an employee benefit plan.

Man Sentenced to State Prison for Stealing \$790,000 from Clients of his Investment Firm [\[05/16/08\]](#) – A former employee of an investment firm was sentenced to 10 years in prison, ordered to pay restitution, and required to surrender his insurance producer license after pleading guilty to securities fraud and misapplication of entrusted property. The defendant stole over \$700,000 from his clients and used it for personal expenses. The defendant falsely represented to clients that their money was invested by issuing fraudulent statements and dividends checks.

Former President Convicted of Federal Felony and Ordered to Pay \$138,478.80 in Restitution [\[04/08/08\]](#) – A president of a company was sentenced to a one year term of federal probation and ordered to pay restitution, a \$5000 fine, and up to \$10,000 in successor trustee administrative fees for being convicted of submitting a Form 5500 that contained a materially false, fictitious or fraudulent statement or entry. The company president transferred funds from the plan to an outside account in the plan's name and used the funds to invest in other business interests. These transactions were not reported as nonexempt transactions with a party-in-interest.

Grand Jury Charges Attorney with Fraud, Money Laundering and Tax Evasion [\[04/05/07\]](#) – A professional was indicted on one count of conspiracy to defraud, three counts of money laundering, and one count of income tax evasion. The professional allegedly used over \$1.6 million of clients' trust account assets to obtain leverage and control of another company, make child support payments, and pay general operating expenses of the firm.

Vice President of Sales Pleads to Information on Charges of Fraud [\[12/21/06\]](#) – The Vice President of Sales made false statements on and did knowingly cover up and fail to disclose facts on a document required by Title 1 of the ERISA.

Owner of Financial Firm Admits Stealing More Than \$4 Million from Investors [\[11/14/06\]](#) – An owner of a financial firm pleaded guilty to 10 accounts of mail fraud, one count of embezzlement from an employee benefit plan, and four counts of filing false tax returns. The registered agent for certain broker dealers and investment advisers represented to certain existing clients that he would guarantee them an 8% rate of return if the clients invested money in a fixed investment account controlled by him. As a result of promises, 21 clients provided the individual with approximately \$5,497,918. However, the fixed investment account did not exist, and the registered agent deposited the monies directly into his business and personal accounts.

Past President and CFO Arrested on Embezzlement, Money Laundering and Tax Fraud Charges [\[06/26/06\]](#) – A former company president and CFO was indicted on embezzlement, money laundering, and tax fraud charges. The former president allegedly issued duplicate paychecks to herself and concealed her embezzlement of over \$850,000 by filing false documents with the Department of Labor. The charges carry prison sentences ranging from 5-20 years as well as fines of up to \$250,000 per count.

Contractor Sentenced to 30 Months Imprisonment on Federal Charges in Connection with Building Collapse and Mail Fraud Scheme [\[06/15/06\]](#) – A contractor and owner of a company was sentenced to 30 months in prison for having caused the death of an employee by willfully failing to comply with OSHA regulations and attempting to conceal his failure to pay workers the prevailing wage on a federally funded project. The company failed to provide federally mandated equipment to its workers and falsely certified payroll records to show that employees were being paid at the required wage rate, when they actually were not.

Former Owner of Firm Sentenced in Fraud Case [\[04/27/06\]](#) – A former owner of a company was sentenced to 240 days of home confinement, 60 months' probation, and ordered to pay over \$315,000 in restitution after pleading guilty to mail fraud charges. The company provided administrative services for employee benefit plans.

Former Chief Financial Officer Indicted in Bank Fraud and Embezzlement Scheme [\[01/17/06\]](#) – A former CFO of a corporation was indicted on charges of wire fraud and conspiracy to commit bank fraud. The former CFO allegedly schemed to defraud a lending company out of \$2 million and diverted over \$75,000 from his corporation's operating bank account into his personal bank account.

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