Employee Benefit Plan
Audit Quality Center

Employee Benefit Plans
DOL Criminal Enforcement Cases
October 2014– November 2018

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 (EBSA) criminal enforcement actions involving employee benefit plans during the period October 2014 through November 2018 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
- Medical, Health and Death Benefit Plans
- Multiemployer Plans
- Other

Many of the DOL's criminal enforcement cases involve company owners, CEOs and other officers, trustees, union officials, 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.

Additional public information about each case, and actions involving indictments and arrests not included in this summary, is available in the DOL EBSA's Criminal Enforcement News Releases at https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/newsroom/joint-enforcement-releases.

Fraud Activities

Pension/401(k) Plans

- Embezzlement, fraud and theft
- Making materially false statements in the plan's annual report and fraudulent annual reports
- Altering participant account and contact information to improperly obtain distributions

Medical, Health and Death Benefit Plans

- Diversion of funds
- Making false statements related to healthcare and identity theft
- Defrauding money from individuals who purchased health care coverage
- Falsely billing for medical and dental work not performed
- Embezzlement from HRA account

- "Carving out" from self-funded plans those employees who had significant health risks, and then, through false statements, arranging for those employees to be insured through traditional health insurance providers
- Stealing from healthcare plans to pay for bonuses, operating expenses, luxury car leases, and a country club membership

Multiemployer Plans
- Embezzlement
- Improper union plan billing for medical services that were not provided or unnecessary
- Receiving unauthorized unemployment benefits
- Embezzlement from apprentice fund
- Filing a false tax return by failing to report income received from contractors hired to upgrade the plan's computer system

Other
- Ponzi scheme
- Identity theft
- Fraudulently conducting ERISA audits
- Defrauding investors
- Tax violations
- Conspiracy, wire fraud, theft from an employee benefit program, filing a false tax return, and money laundering

DOL Criminal Enforcement Case Summaries

Pension/ 401(k) Plans

Individuals Sentenced to Two Years in Prison, Ordered to Pay $781,000 in Restitution for Embezzlement and Tax Crimes [11/01/2018] - A business executive was sentenced to two years in prison for embezzlement and tax crime and was ordered to pay $781,000 in restitution. The individual served as chairman, president, and chief executive officer of a technology consulting company, which sponsored a 401(k) and profit-sharing plan for employees. Between 2010 in 2012, the individual failed to pay into the plan $126,000 in contributions and loan repayments withheld from employee wages. During that time, instead of making the plan contributions the individual paid for the rental of a personal residence and vacation home, leases on vehicles, another personal expenses.

Business Owner Ordered to Pay $4.3 Million in Restitution, Serve Prison Term for Fraud and Theft of Employee Benefit Plan [08/07/2018] - A business owner was sentenced to serve 50 months in prison followed by an additional five years of supervised release, and make more than $4.3 million in restitution for bank fraud and violations of ERISA. The individual owned a commercial cleaning services company and unlawfully embezzled and converted approximately $31,403 in employee salary deferrals intended to be contributed to the company's 401(k) plan. The court-ordered restitution includes $69,000 in employee and matching employer contributions, as well as lost earnings due to the plan, and approximately $4.3 million for fraudulent loans and identity theft.

Federal Court Orders Former 401(k) Manager to Pay Restitution [03/28/2018] – A federal court sentenced the former 401(k) manager to time served plus two years supervised release, and has ordered the defendant to pay restitution of $87,276 for stealing from an employee benefit plan, and failing to pay federal taxes. As a result of the conviction, the former manager is barred from serving as a fiduciary or service provider to an employee benefit plan covered by ERISA. DOL investigators found that from April 2013 to January 2014, the former manager failed to remit $5,317 in employee contributions to the retirement 401(k) savings plan of the former manager's employer. The former manager used the funds for business and personal purposes while also failing to account for, and pay approximately $81,959 in payroll taxes to the IRS that were withheld by the company in the third and fourth quarters of 2013.

Trustee Sentenced for Theft of Employee Benefit Plan Funds [03/06/2018] - A former pension benefit plan trustee pleaded guilty to one count of theft from the employee benefit plan, and is required.to pay $234,271 in restitution and to serve one year of probation for violating federal criminal statutes pertaining to plans covered by ERISA. The trustee has also been barred from serving as a fiduciary or service provider to a covered employee benefit plan for 13 years. DOL investigators found evidence that the operating manager and trustee to a metal refinisher's profit-sharing plan unlawfully and willfully removed $66,049 from the plan's accounts. The trustee used the money for unauthorized purposes with the knowledge that the funds were owed to plan participants.

Pension Fund Theft Investigation Nets Criminal Conviction [02/02/2018] - A former business associate and office manager of an anesthesiologist services provider pled guilty to one count of pension fund theft, six counts of wire fraud, and two counts of money laundering. The individual was sentenced to 37 months in federal prison for embezzling $120,313 in employee elective deferrals that were to be deposited into an employee 401(k) pension fund, as well as $587,218 from bank accounts belonging to the business associate's organization. The U.S. District Court has also ordered the former business associate to serve 3 years supervised release upon completion of his term of incarceration, and to pay restitution to the victims in this case – including pensioners whose money was embezzled from the employee 401(k) pension fund. The total amount of restitution to be paid has not yet been determined.

Court Orders Repayment of $45,896 and Sentences Former Fund Manager in Pension Plan Theft to Serve 5 Years of Probation [12/12/17] - A former fund manager was sentenced to make restitution in the amount of $45,896 and serve five years of probation, including six months of home confinement, for violating ERISA. In addition, the individual has been barred from acting as a fiduciary for five years. The action follows an investigation that determined the fund manager for certain union welfare and pension plans altered personal paychecks by increasing the amounts due; issued additional personal payroll checks by securing signatures of plan trustees and changing the name of the payee on the check to match the name of said fund manager; entered false information on the paper stubs attached to the physical checks; and made fraudulent entries into the plans' accounting records.

Business Owner Sentenced To 42 Months in Prison For Stealing More Than $755,000 From Employee Pension Plan [8/9/17] - A business owner was sentenced to 42 months in prison for embezzling more than $755,000 from employees' pension plans after pleading guilty to one count of mail fraud. According to the guilty plea, the company's 401(k) Profit Sharing Plan, established as an employee benefit for eligible employees' retirement savings, was funded by three types of contributions: voluntary salary reduction 401(k) contributions the company's employees had deducted from their paychecks; 401(k) matching contributions made by the company; and profit sharing contributions made by the company. The business owner, who was the sole trustee of the Plan, used that position to withdraw funds from the Plan and deposit those funds into company bank accounts. In 26 separate transactions over the course of two years between February 2011 and July 2013, the business owner drained the profit-sharing portion of the Plan by withdrawing a total of approximately $675,233.55. In August 2014, the company closed. Following the closure, between December 2014 and March 2015, the owner drained the former employees' individual 401(k) accounts by withdrawing a total of approximately $80,667.23. The owner then persuaded the financial institutions holding the Plan's assets to improperly transfer the funds belonging to the Plan and its participants by making false representations.

Company President Embezzled Money from Employee Pension Fund [12/1/16] - The former president of an HVAC systems company pleaded guilty to charges of embezzling funds from a simple IRA employee pension fund. The Plan was funded by employees who elected to contribute to the plan, as well as mandated matching contributions made by the employer. The former president, assisted by the company's vice-president, embezzled and unlawfully converted the monetary contributions to the Plan made by nine employees, in the amount of $47,056. The contributions embezzled and unlawfully converted were used to cover the company's operating costs during a period when the company experienced severe economic difficulties. The former president waived indictment by a federal grand jury, pleaded guilty to a criminal information, and faces a maximum penalty of five years in prison.

Improperly-Enrolled Actuary Pleads Guilty to Fraud Charges [11/3/16] - A person posing as an actuary pleaded guilty to making a false statement in relation to a document required by ERISA. According to the statement of facts filed with the plea agreement, the individual was employed as an actuary by a firm but had not satisfied the appropriate legal standards and qualifications to be an enrolled actuary. Nevertheless, the individual signed off as an enrolled actuary on a statement of accuracy and completeness on a Form 5500 Schedule SB regarding the plan's asset valuation, funding target, at-risk status, effective interest rate, and target normal cost, for an Employee Retirement Account Plan and Trust. . The individual faces a maximum penalty of five years in prison.

Third-Party Administrator Pleads Guilty to Embezzling from Employee Benefit Plans [7/25/16] - The owner and president of a produce distributor, and trustee for the company's profit sharing plan was sentenced to seven years in prison for embezzling nearly all of the assets of the plan and defrauding the plan participants. The individual, over the course of several years, transferred over $750,000 from the Plan to the company's corporate accounts and then unlawfully used the money to, among other things: (1) purchase hundreds of thousands of dollars of produce for the company; and (2) pay for hundreds of thousands of dollars of personal expenses. Between June 2009 and July 2012, the defendant transferred almost all of the assets in the company's plan to corporate accounts. In order to cover up the embezzlement of Plan assets, the owner caused plan statements to be created that reflected the employees' full account balances as if no money had been taken out of the Plan. A 2012 account statement for one employee, for example, reflected an individual benefit total of approximately $140,000, but the actual balance was approximately $15,000. In addition to the prison term, the individual was ordered to pay $650,936.20 in restitution, $763,000 in forfeiture, and a $400 special assessment.

Individual Sentenced To 30 Months in Prison for Pension Embezzlement Scheme [6/7/17] - An ERISA plan trustee was sentenced to 30 months in prison for bank fraud, embezzlement from an employee pension benefit plan, and making false statements in documents required by ERISA. The guilty plea detailed an admission of embezzling $787,762 from ERISA plans for which the individual was acting as a trustee. The individual admitted to moving money from plan bank accounts to bank accounts under the individual's control, and then using that money for personal expenses without the authorization or knowledge of the pension plan owners, sponsors, or participants. Further, the individual admitted to attempting to hide the illegal transactions by falsely recording personal payments in such a way as to make the payments look like legitimate plan expenses and altering account statements to conceal missing funds. Pursuant to the plea agreement, the defendant pleaded guilty to one count of bank fraud, the two embezzlement counts, and the false statements and concealment count. In addition to the prison term, a U.S. District Judge sentenced the individual to serve 3 years of supervised release.

Trustee of Retirement Plan Convicted of Filing False Reports [2/18/16] - An employee of an eye care service center pleaded guilty to three counts of making a false statement on forms that were filed on behalf of an employee retirement plan. The individual served as a trustee of that company's 401(k) retirement plan, and had a fiduciary duty to that plan's beneficiaries. The individual admitted that the employee retirement plan made loans to an outside limited liability company, made payments to another company also in their name, and leased property to a third company owned by the individual's spouse. These transactions were prohibited by ERISA due to the relationship between the individual and these various companies. Also, it was brought to light that steps were taken by the individual to conceal the fact that the retirement plan had engaged in financial dealings with the aforementioned outside entities, including failing to disclose relationships with these entities to the third party administrator that helped to prepare the retirement plan's ERISA filings. The individual faces up to 5 years in prison and a fine of up to $250,000 on each count.

Former Owner of Company Convicted of Grand Theft in 401(k) Retirement Funds Case [6/8/2015] - Following complaints from plan participants, a DOL investigation found that the former owner of an upholstering company, who served as trustee for the company-sponsored 401(k) plan, abused his position as trustee to misappropriate $43,380 from participant accounts for personal use. Specifically, between September and November 2011, the former owner posed as four different 401(k) plan participants and altered account and contact information to improperly obtain distributions from employee 401(k) accounts. The former owner was charged with 12 criminal counts, alleging grand theft and identity theft, in violation of state law. In February 2015, the owner pleaded no contest to two counts of grand theft. The former owner was convicted and sentenced to a six-month imprisonment and five years of probation in criminal court. The judge also ordered the former owner to pay $43,380 to the four affected 401(k) account participants, stay away from them, and pay an additional $740 in penalties and fines.

Trustee Made False Statement in 401k Profit-Sharing Plan [10/24/14] - The sole trustee of a 401k plan was ordered to pay restitution and a fine and was sentenced to a term of probation following a conviction on a charge of making and causing a false statement on an annual statement regarding a company 401k plan. The amount paid for restitution was $221,649, which included interest, and the related fine totaled $4,800.

Medical, Health and Death Benefit Plans

Health Clinic Co-Founder Sentenced to Prison and Ordered to Pay $941,337 in Restitution for Healthcare Fraud Scheme [11/27/2018] - A co-founder of a medical clinic was sentenced to 27 months in prison, two years of supervised release, and ordered to pay $941,337 restitution for defrauding healthcare benefit programs. The individual pleaded guilty to nine counts of healthcare fraud, nine counts of theft in connection with healthcare valued at $941,337, and one count of aggravated identity theft. A DOL investigation found the individual was involved in a fraudulent scheme to establish a company that billed insurance companies for patient injections that the clinic never administered. The insurance companies billed private-sector employee welfare benefit plans for the false charges and, as a result, the private-sector employee welfare benefit plans paid a portion of the false charges. The individual unlawfully used the identification of a medical provider on the billing statements, alleging the medical provider administered the false services to the patients.

Individual Pleads Guilty for Role in Operation of Medical Reimbursement Account Program [10/18/2018] - An individual pleaded guilty to conspiracy to make false statements in representations in connection with a multiple employer welfare arrangement (MEWA). The individual participated in a scheme to create and market a medical reimbursement account for a MEWA that was marketed to employers as a supplemental benefits plan for their employees to reimburse for medical expenses such as co-pays and deductibles. The individuals arranged for contributions, loans, and insurance policies to appear as a series of "paper transactions" that improperly reduce participants' taxable wages and employers' FICA payments.

Former CEO of Pharmaceutical Benefits Management Company Sentenced to One Year in Jail for Kickback Scheme [03/27/2018] – The U.S. District Court sentenced the former CEO of a pharmaceutical benefits management corporation to one year and one day in federal prison for paying illegal kickbacks in an effort to steer benefit plans to the company. The defendant was founder, president, and CEO of a pharmaceutical benefits management corporation, which provides for the administration and delivery of pharmacy products and services. The company uses a network of pharmacies to service employee welfare benefit plans and healthcare benefit programs across the U.S. During the former CEO's tenure, the company contracted with individuals known as "producers" with close business relationships with benefit plans. These benefit plans require administrative services in connection with the delivery of pharmacy products and services to their members. An investigation determined that between 2001 and 2013, the pharmaceutical benefits management corporation and certain producers agreed that these producers would steer the benefit plans to the corporation in exchange for illegal kickback payments. Investigators found the corporation made payments to producers based on the volume of business the producers steered to the corporation, and that it illegally paid more than $3.5 million to producers in return for their steering efforts. ERISA prohibits such agreements and the related payments, as do other federal bribery and kickback statutes. The investigation determined that the former CEO was primarily responsible for the negotiations with producers.

Former Eligibility Coordinator Sentenced for Theft of Benefit Checks [02/09/2018] - A former eligibility coordinator for a company that administers trust funds for public and private sector health benefit plans was sentenced by a U.S. District Court to 10 months of imprisonment followed by three years of supervised release for diverting checks received from individual participants in health plans as payment toward their union-related health benefits into personal bank accounts. The court has also ordered the defendant to pay $35,461.34 in restitution, perform 150 hours of community service, and notify any future employers in writing of the two prior fraud convictions. The DOL found that the former coordinator diverted 49 of these checks totaling $35,461.34 between May 2013 and July 2014. In 2004, the former eligibility coordinator was convicted in federal court for embezzling more than $105,000 from two businesses.

Individual Sentenced in Federal Health Care Fraud Scheme [10/30/17] - An individual was sentenced to 161 months in prison on charges of health care fraud, false statements related to healthcare and aggravated identity theft. According to the indictment, the individual stole the identities of six retired and semi-retired senior citizen physicians and their Medicare accounts used to submit claims for services provided to patients. The person utilized fake passports, driver's licenses, and other identity documents to establish bank accounts, mailing addresses and phone answering services in the names of the victim physicians to give the appearance that the physicians were in practice and providing medical care to senior citizens in different locations around the country. Between June 2011 and December 2016, using stolen personal identification information of real senior citizens from around the country, the individual submitted fraudulent and fictitious claims for purportedly providing medical services to Medicare using the victim doctors' identities. The individual deposited the money paid by Medicare into separate bank accounts in the victim doctors' names. As a result of the individual's crimes. the doctors, received bills from the IRS for unpaid taxes and from Medicare for repayment of the apparently fraudulent claims. The total loss amount to Medicare that resulted from the fraudulent and fictitious claims submitted by the individual was more than $1.6 million. The court imposed a total sentence of 161 months in prison, followed by three years of supervised release, and restitution to Medicare in the amount of $1,665,348.03.

Business Owner Pleads Guilty to Defrauding Investors and Department of Health and Human Services [7/12/17] - The owner of several businesses pleaded guilty to two counts of wire fraud and one count each of mail fraud, theft concerning a program receiving federal funds, money laundering, and theft or embezzlement from an employee benefit plan. The individual established bank accounts for the investments that came with signature authority on the account and allowed the accounts to be linked to one another utilizing banking software provided by the bank. This software gave the business owner and others the ability to make online transfers from one account to another. From early-to-mid 2010 to January 2015, the individual received investments from at least 25 different client investors, which were not invested as represented by the defendant. Instead, those monies were diverted by the individual for personal use, to pay back other investors, and for the use of the various businesses. The individual was sentenced to 150 months in federal prison on one count each of mail fraud, theft of government funds, theft from an employee benefit plan, money laundering and two counts of wire fraud. The court also ordered the individual to pay restitution in the amount of $5,710,816.62 to the affected victims.

Owner of Benefits Administration Company Sentenced to 46 Months in Prison for Theft of $3 Million from HRA Funds [12/14/16] - A United States District Judge sentenced the owner of a benefits administration company to 46 months in federal prison followed by three years of supervised release. The individual was also ordered to pay $3,093,918 in restitution to the affected victims. The individual pled guilty to one count of theft in connection with health care, admitting that between 2009 and 2014, approximately $3 million was stolen from individual health reimbursement accounts (HRAs) under management by the company where the individual served as the sole shareholder, officer, and director of the company.

FSA Administrator Who Embezzled $852,041 from Not-for-Profit Health Organization Sentenced to 27 Months in Prison [10/19/16] - A former employee of a retirement plan administration firm pleaded guilty to one count of wire fraud and was sentenced to 27 months in prison, followed by three years of supervised release, a condition of which is home confinement for 6 months. The judge also ordered the former employee, who oversaw FSA administration, to forfeit and pay restitution of $852,041. The individual maintained bank accounts for a not-for-profit health system organization, into which withholdings of pre-tax FSA funds from participating employees were deposited and from which disbursements were made to these employees after they were approved by the firm. Nearly 300 payments were redirected to personal accounts belonging to the former employee of the firm.

Physician Pleads Guilty to Making False Statements [5/18/16] - A physician has pleaded guilty in federal court to making false statements in order to receive payments on health care claims. Under the terms of the plea agreement, the physician's license must be surrendered two weeks prior to the sentencing hearing, which has not yet been scheduled. This case involves treatment of 14 patients from Jan. 1 through Dec. 31, 2010, for whom the physician overstated the significance of the lesions and stenosis in their arteries to ensure the claims would be paid. Claims were then submitted (or caused to be submitted) for payment to health care benefit programs for treatments or services which the programs would not have allowed, reimbursed, or paid if they had known the physician was overstating the information. Under the terms of the plea agreement, the physician must pay $76,369 in restitution, based on the estimated loss to the private insurers who reimbursed the claims; the estimated loss amount for purposes of sentencing is more than $95,000 but less than $150,000. However, the government has not waived its right to pursue civil or administrative remedies with respect to the claims submitted (or caused to be submitted) to federal payors through the False Claims Act.

Dentist Sentenced to over 3 Years in Prison for Billing for Unnecessary or Unperformed Dental Work [5/5/16] - A dentist was sentenced to three years and 10 months in prison and a $75,000 fine for health care fraud. According to court documents, beginning approximately in late 2008, the dentist began targeting employees of a logistics company for dental treatment because their health care plan provided 100 percent coverage without any annual limits. The dentist offered cash and other incentives to patients from that company for receiving dental treatment or for recruiting other employees to receive such treatment. In some instances, the dentist caused claims to be submitted that falsely billed the plan for work that was never performed. In many other instances, the dentist performed unnecessary dental work, including root canals, and claims were submitted to the health care company for payment for these unnecessary services.

Health Care Benefits Schemer Sentenced to Prison [2/26/16] - An individual was sentenced to 82 months in prison for playing a role in a nationwide health care fraud scheme that defrauded over 17,000 victims. This individual was sentenced to pay $6,524,888.86 in restitution and forfeiture after pleading guilty to one count of wire fraud and one count of conspiring to commit mail fraud, wire fraud, health plan embezzlement, and money laundering. As part of the guilty plea, the individual admitted participating in a scheme to defraud thousands of individuals who purchased purported health care coverage, when in fact the health care plans were not backed by insurance companies. This individual also admitted to embezzling more than $5.4 million in premiums paid by individuals who had signed up for these unauthorized health plans.

Employee Sentenced to 28 Months in Federal Prison for Stealing Over $550,000 from Company [1/8/16] - A benefit plan manager was sentenced to 28 months in federal prison followed by two years of supervised release on one count of wire fraud. The individual was also ordered to pay restitution in the amount of $551,343.52. According to the plea agreement the benefits manager, an employee of a large food company for over twenty five years, managed contributions into and handled administrative duties related to the company's Pre-65 Retiree Health Insurance Benefit Plan. From June 2005 to September 2014, the benefits manager devised and implemented a scheme to defraud money from the company by generating fraudulent payments in the name of actual plan participants and directing these payments to personal bank accounts. The scheme resulted in defrauding the company of over $550,000.00.

Four Years in Prison for Stealing $1.5M from Healthcare Plans [10/16/15] - An individual was sentenced for stealing more than $1.5 million from healthcare plans of which the individual was in charge. The money was used to pay for bonuses, operating expenses, luxury car leases, and a country club membership. The individual was sentenced to 46 months in prison, ordered to pay more than $1.5 million in restitution, and was found guilty of seven counts of theft from a health benefit program.

Executive Pleads Guilty to Embezzling Funds of Employees' Health Care Benefit Program [10/7/15] - The COO of a company in the wind power industry pleaded guilty to one misdemeanor count of embezzling funds from a health care benefit program and agreed to pay $36,980 in restitution. According to court documents, the business executive withheld almost $20,000 from the paychecks of company employees, which was to be applied toward the premiums of their health care benefit program. Instead of paying the premiums, the funds were returned to the company's general fund. As a result, the employees' health care benefit program was terminated. After the termination date, company employees incurred approximately $16,569 in out-of-pocket medical costs. Additionally, when the insurer sent $782 to reimburse former employees who were paying into the company's COBRA program, the executive put the money into the general fund and did not pass it back to the former employees as he should have.

HMA Direct Insurance Fraud Scheme [10/01/2014] – Four individuals pleaded guilty in connection with their participation in a fraudulent scheme perpetrated through a health insurance company offering self-funded insurance plans to small businesses. The insurance company "carved out" from its clients' self-funded plans those employees who had significant health risks, and then, through false statements, arranged for those employees to be insured through traditional health insurance providers. Individuals participating in the carve-out scheme arranged for other individuals, who were investors in the health insurance company, to pretend that they were satisfied customers of the company and to provide fake references to prospective clients. The maximum sentence under the relevant statutes is 20 years in prison, three years of supervised release, and a $250,000 fine.

Multiemployer Plans

Twenty Seven Members of Council of Carpenters Union Members Sentenced for Healthcare Theft [11/19/2018] **–** Twenty seven members of a regional Council of Carpenters were each sentenced after guilty pleas to one count of healthcare theft. The members filed false medical claims illegally requesting reimbursement of medical expenses from the union's healthcare program. The 27 members were ordered to pay restitution to the union health fund of $531,422.68.

Man Pleads Guilty To Stealing From A Union And Insurance Company [11/09/2018] – An individual pleaded guilty to conspiracy to commit mail fraud. The individual caused a backdated membership application of his deceased brother to be submitted to a union fund to pay death benefits from a life insurance policy.

Former Union Trustee Admits to Causing False Entry for Expense Reimbursements [03/23/2018] – The U.S. District Court has sentenced a former trustee of a union apprenticeship trust fund to six months of probation and 60 hours of community service after pleading guilty to willfully causing a false entry in books, records, reports, and statements in violation of Title 29 U.S. Code Section 439(c). The former trustee admitted in a written plea agreement to submitting false reimbursement requests for expenses incurred in connection with training events, and that another union training fund directly paid for the same expenses that were submitted by the former trustee. By submitting these false requests for reimbursement, the former trustee caused the union training fund to make false entries in its books and records. The amount owed to the training fund totaled $12,000

Union Officer Pleads Guilty to Embezzlement, Aggravated ID Theft [01/18/2018] **-** A former business manager and financial secretary—the sole full-time officer for a cement masons union— pleaded guilty in federal court to embezzlement of approximately $319,795 in union funds. The union officer pleaded guilty to a three-count charge of embezzlement from a labor organization, embezzlement from an employee benefit plan, and aggravated identity theft. The union officer embezzled the funds for two years, beginning in 2015, from a union operational account and from an apprentice fund used to finance training programs for apprentice plasterers and masons and for the retraining or refresher training of journeymen union member. The former business manager admitted to making checks out to personal accounts substantially in excess of the manager's own salary and stipend. In some instances, the union officer had the authorized signatories sign blank checks, which later were used to embezzle funds from the operational account. In other instances, the manager forged the signature of the authorized signatories on checks. The union officer admitted to also embezzling funds from the apprenticeship fund by writing checks payable to the union operation account and then embezzling the funds in the same manner. Embezzlement from a labor organization is punishable by statutory penalties of up to 5 years imprisonment, a fine of $10,000, and a term of supervised release of 3 years. Embezzlement from an employee benefit plan is punishable by statutory penalties of up to 5 years imprisonment, a fine of $250,000, and a term of supervised release of 3 years. Aggravated identity theft is punishable by statutory penalties of mandatory term of two years imprisonment in addition to the sentence imposed on counts on the embezzlement charges.

Member of Dockworkers Union Guilty in Scheme that Bilked Health Care Plan by Fraudulently Billing for Chiropractic Services [10/18/16] - A member of a dockworkers union was convicted by a federal jury on federal fraud charges for causing two medical clinics to bill the union's health care plan for chiropractic services that were not provided or were not medically necessary. The union member was convicted of 20 counts of mail fraud. Members of the union receive benefits, including health care benefits, through an association welfare plan. According to the evidence presented at trial, the member and co-defendant opened clinics to provide medical and chiropractic care. The two also created medical management companies that they used to receive funds generated by the medical clinics, which they then used to pay themselves and to pay incentives to union members to use, and encourage other union members, to use their clinics. These incentives were often paid as "sponsorships" of basketball or softball teams, with the understanding that the union member receiving the "sponsorship" would visit, and encourage other team members to visit a clinic. Over the life of the fraudulent scheme, the medical management companies controlled by the two received at least $3 million that derived from funds paid by the welfare plan to the clinics. At the time of sentencing, the union member will face a statutory maximum sentence of 20 years in prison on each of the 20 counts of conviction. The accomplice pled guilty earlier in the year to 20 counts of mail fraud and is scheduled to be sentenced at a later date.

Former Teamster Pleads Guilty to Fraud and Theft Charges [11/30/15] - A former member of a Teamsters union pleaded guilty in connection with receiving more than $40,000 of unemployment benefits to which the former Teamster was not entitled. The charge included three counts of mail fraud and one count of theft of government property. Earlier that same month, the former member was convicted by a federal jury of three counts of extorting businesses. Records revealed that the individual in question failed to report the proper weekly earnings or significantly under-reported earnings to wrongly suggest eligibility for full or partial unemployment insurance. The charge of mail fraud provides for a sentence of no greater than 20 years, three years of supervised release, and a fine of $250,000 on each count.

Former Union Employee Pleads Guilty to Embezzling Over $160,000 of Training Funds [11/24/15] - A former union employee pleaded guilty to embezzling over $160,000 from the bricklayer's union. The former employee improperly took $160,927.34 from a Joint Apprenticeship Trust Fund account whose purpose was to train future union members. At sentencing, the individual faces up to five years in prison and a $250,000 fine.

Former Union Plan Executive Pleads Guilty to Tax Charge Stemming from Failure to Report Income [11/13/15] - The former chief information officer (CIO) for an entertainment union's pension and health plan pleaded guilty to filing a false tax return in which the CIO failed to report income received from contractors hired to upgrade the PPHP computer system. At the time of pleading guilty, the individual admitted to lying on a 2008 federal tax return that failed to report $454,666. The judge reviewing the case is scheduled to sentence the former CIO at a later date, for which there is a statutory maximum of three years in federal prison. The former CIO has agreed to file amended tax returns, pay back taxes, and make an additional restitution payment of at least $100,000 to PPHP.

Other

Two People Sentenced for Role in $70 Million Ponzi Scheme [8/2/17] - A couple was sentenced in U.S. District Court for their role in a $70 million Ponzi scheme. The first defendant was sentenced to 30 months in prison for charges related to the scheme that defrauded nearly 500 victims. The second defendant pleaded guilty to conspiracy to commit mail and wire fraud and theft or embezzlement from an employee benefit plan and was sentenced to 180 months in prison. The couple recruited investors from 37 states to invest in two investment and asset management companies, telling the investors that their money would be used for acquiring stocks or securities, purchasing real estate or land, providing loans to business, and buying gold and silver. Rather than investing the money, the couple used it to pay for personal luxuries like horse-racing and high-fashion clothing. When the defendants became late on interest payments to the victims, they claimed that their bank account had been hacked, a bank mistakenly failed to wire payment, and/or the deal the victim had invested in was temporarily on hold. The government has seized two racehorses, vehicles, jewelry, artwork and cash totaling approximately $650,000 from the couple.

Former CEO Sentenced to 5 Years in Prison [05/22/2017] - The former CEO of an electronics and appliance retailer was convicted of 170 counts of wire fraud, money-laundering, bank fraud, false statements, bankruptcy fraud, and conspiracy following a three-week jury trial. The former CEO and a co-conspirator (the CFO) created shell companies that were used as part of a real estate leaseback scheme. With an initial investment of less than a $500, the defendants created LLCs that obtained loans to purchase commercial property, and then leased that retail space back to the original company. The two obtained these loans without full disclosure of the lease terms, a vote from the company's Board of Directors, or even valid written lease contracts. Ultimately, the jury also found that the former CEO committed bankruptcy fraud by making a claim for $2.4M against a company bankruptcy estate after the company had folded. The jury also found that the former CEO defrauded the company through dozens of unauthorized credit card purchases, reimbursements, trades and other transactions.

Former Hedge Fund Manager Sentenced for Defrauding Investors and Obstructing the SEC [3/25/16] - A former hedge fund manager was sentenced to 18 years in prison, with credit for the time served since 2015, to be followed by three years of supervised release, and ordered to pay restitution in the amount of $9,436,236.23. The former fund manager was convicted in November 2015 on 22 counts of wire fraud, one count of conspiracy, and one count of obstructing the SEC proceeding. An accomplice has pleaded guilty to one count of conspiring with the hedge fund manager to obstruct the SEC proceeding. A sentencing date has not yet been scheduled for the accomplice.

Former CPA Sentenced to Prison for Fraudulently Conducting ERISA Audits [3/18/16] - On March 16, 2016, a former CPA was sentenced to 24 months in prison, followed by 3 years of supervised release, and was ordered to pay $459,308 in restitution to 45 victims. In October of 2015, the former CPA had pleaded guilty to conspiring to make false statements in audit documents required by ERISA pension plans and conspiring to commit mail and wire fraud. The individual operating as a group of several entities, performed audits of retirement plans covered by ERISA as a CPA licensed in several states. After losing the CPA licenses, the former CPA continued to perform the audits and to sign audit reports required by ERISA to be signed by a CPA. During 2011 and 2012, the individual conducted audits for 45 companies and submitted reports to the U.S. Secretary of Labor falsely claiming the retirement plans were audited by a CPA. In total, $459,308 was collected from the victim companies, all of which believed the person was a licensed CPA.

Bookkeeper Pleads Guilty to Bank Fraud and Aggravated Identity Theft [1/13/16] - A bookkeeper pleaded guilty to bank fraud and identity theft. In connection with the plea agreement, the individual acknowledged a scheme to defraud four employers collectively of more than a million dollars. Per the plea agreement, the bookkeeper acknowledged fraudulently making personal payments from former employers' checking accounts. While at each company, the bookkeeper obtained access to the payment systems of each former employer and admitted to devising and executing a scheme to defraud each former employer by using the corporate payment systems to initiate fraudulent payments to personal accounts. According to the individual, the total loss to all four employers from the scheme was $1,085,918.90. While some repayments to some of the former employers had been made, the total amount still owed to the former employers is $1,063,975.78. Pursuant to the plea agreement, the bookkeeper pleaded guilty to one count of bank fraud and one count of aggravated identity theft. The maximum statutory penalty for bank fraud is 30 years' imprisonment and $1,000,000 or twice the gross gain or loss. The maximum statutory penalty for aggravated identity theft is a mandatory two years of imprisonment in addition to any sentence imposed. Additional periods of supervised release, fines, and special assessments also could be imposed.

Former CEO Sentenced to 20 Years in Prison for Fraud Scheme [6/30/15] - Three related individuals were sentenced to several years in prison. The first individual was convicted by a federal jury of 14 fraud-related counts including conspiracy, wire fraud, theft from an employee benefit program, filing a false tax return, and money laundering, and was sentenced to 20 years imprisonment with 3 years' supervised release, court-ordered forfeiture of $1,800,000, and restitution in the amount of $25,949,533.48. The second individual pleaded guilty to one count of conspiracy and one count of wire fraud, and was sentenced to 5 years' probation with 6 months in a halfway house, court-ordered forfeiture in the amount of $1,800,000, and restitution in the amount of $3,736,635.43. The third individual pleaded guilty to one count of conspiracy and was sentenced to 5 years' probation with 6 months under house arrest with electronic monitoring, court-ordered forfeiture in the amount of $245,855, and restitution in the amount of $3,736,635.43. .

Business Owner Ordered to Pay Nearly $450,000 for Tax Violations [10/27/14] - A business owner was ordered to pay $450,000 in restitution and fines related to a tax conviction. Despite making payroll tax withholdings of $570,000from the employees' paychecks, the owner did not pay those withholdings to the IRS in the appropriate amount. The business owner pleaded guilty to one count of failure to account for an IRS payment over employment tax and was also sentenced to six months of home confinement and three years of supervised release.

# # # # #