

## **Employee Benefit Plans DOL Criminal Enforcement Cases January 2006 – March 2009**

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 March 2009. This analysis categorizes the cases into the following plan types:

- Pension/401(k) Plans
- Multi-employer 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, the types of fraud can occur at plans of all sizes. A summary of the nature of the fraud by plan type is presented below.

### **Examples of Pension/401(k) Plan Fraud**

- 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
- Defrauding the company by issuing duplicate paychecks
- Failure to pay pension benefits due to employees
- Kickbacks
- Failure to deposit checks to be rolled over from a predecessor's plan into a new plan
- Defrauding a lending company
- Fraudulently obtaining funds from outside sources

### **Multiemployer Plans**

- False claim for benefits
- Unauthorized application for benefits
- Check forgery

- Forged reimbursement claims
- Improper issuance of checks to plan administration employee
- Filing false financial reports
- Embezzling of remittance checks received from employers having collective bargaining agreements with the local union
- Kickbacks
- Bribery in exchange for permitting the contractors to avoid employing and paying union members
- Rehiring locked-out workers under false identities during a labor dispute

### **Medical, Health and Death Benefit Plans**

- Embezzling health care premiums from payroll withholdings
- Misappropriating client-provided funds from the company's claims account
- Failing to pay health claims
- Failing to forward insurance commissions due to the plan under an arrangement with an insurance company
- 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
- Defrauding individuals and insurance companies by offering illegitimate services
- Paying claims to fictitious individuals for services that were never rendered
- Obtaining discounted group insurance premium rates for a fictitious company
- Engaging in fraudulent activity involve the sale of insurance policies
- Fraudulently obtaining bank loans by submitting false statements
- Unlawfully interfering with the exercise of rights of participants
- Using incorrect social security numbers
- Submitting fraudulent information for a loan application
- Defrauding participants by misrepresenting insurance coverage

### **Pension/ 401(k) Plans**

#### **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 \$20,000 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 401k 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.

## Multi-employer Plans

**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 if 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 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 Head of Human Resources for Major Manufacturer Arrested for Defrauding Health Care Plan of Close to \$8 Million** [\[11/12/08\]](#) – An individual was arrested for embezzlement. The individual allegedly opened an unauthorized bank account in the name of an insurance health and welfare trust and deposited approximately \$8 million into that account, approximately \$4.9 million of which were payments for insurance claims belonging to the plan. Checks totaling an additional approximately \$2.9 million from, among other entities, insurance companies and health care providers that were made payable to the plan or to the sponsor (or to a corporate affiliate thereof), were also deposited into the account. The individual diverted the funds in the bank account he created to pay for personal expenses related to himself and his family, including, among other things: at least \$1 million in payments to credit cards to purchase, among other things, consumer goods; at least \$2 million in checks made payable using various spellings of the individual's name; approximately \$42,000 paid for an automobile; and approximately \$625,000 paid to purchase a house.

**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. According to evidence presented at the hearing, 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.

**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 Anthem Blue Cross Blue Shield** [\[09/27/07\]](#) – 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.

**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.

**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

**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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