

Employee Benefit Plans DOL Criminal Enforcement Cases April 2009 – November 2011

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 April 2009 through November 2011. 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
- 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 involve 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

Pension/ 401(k) Plans

Beauty Salon 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.

Charges Filed Against Bank Officers and Customer in Connection to Multimillion Dollar Check-Kiting Scheme

[\[09/22/11\]](#) – Additional charges were filed against two former bank officers and a bank customer in connection with that customer's alleged multimillion dollar check-kiting scheme and a

fraudulent nominee loan scheme that concealed the activity from the bank's board and bank regulators. A former bank president was charged with one count of bank fraud and one count of making a false statement. A former bank chief credit officer was charged with one count of bank fraud and two counts of making false statements. A bank customer was charged with two counts of bank fraud and one count of theft from an employee benefit plan. On June 21, 2011, all three defendants were initially charged with five counts of misapplication of bank funds. The former bank officers allegedly concealed the bank customer's check-kiting scheme by putting in place a series of fraudulent loans. The loans, five in all, totaling \$1.9 million, were reportedly issued to straw borrowers related to the bank customer in an effort to cover \$1.8 million in overdrafts generated by the bank customer's bad checks. Furthermore, the indictment alleges that the bank customer embezzled more than \$160,000 from one of his company's 401(k) plan. The bank customer allegedly used funds from the retirement plan payroll contributions of employees of his company to pay company bills, for his own personal use, and to repay the straw loans.

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 of 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.

Businessman 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.

A 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. This case was brought as part of President Barack Obama's Financial Fraud Enforcement Task Force.

Federal Jury Finds Employer 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.

Money Launderer Sentenced [\[09/14/09\]](#) – 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.

Multi-employer Plans

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.

Medical, Health and Death Benefit Plans

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 [\[09/22/09\]](#) – 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.

Other

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.

#