

Top 10 Fraud Cases 2009

**By: Leonard T. Jernigan, Jr.
Raleigh, North Carolina**

1. Couple charged with state record of \$38 million in workers' comp fraud

A Laguna Hills couple has been charged with a state record \$38 million in workers' compensation fraud through various roofing companies they own in southern California. Michael Petronella and his wife Devon Kile were arrested on 106 felony counts including insurance fraud, grand theft and filing false tax returns. Bail for each has been set at \$3 million as they await trial. Investigators seized over \$500,000 worth in jewelry from their home as well as two Ferraris, a Bentley and a Range Rover. Ranking officials hope to prosecute the couple to the fullest extent because of their involvement in driving up insurance premiums for legitimate businesses.

4-30-09
Orange County, CA
Ocregister.com

2. Company president and vice president failed to pay \$9.5 million in premiums

The president and vice presidents of a Torrance security firm, International Protective Services, Inc., have been charged with conspiracy, grand theft and making false statements. Ousama Karawia, Larry Finley and Allan Bailey allegedly avoided paying state workers' compensation premiums by creating a shell company that claimed to have only twenty workers. Their real company has over 1,500 employees and failed to pay \$9.5 million in premiums.

4-18-09
Los Angeles, CA
Mercurynews.com

3. Restaurant owners charged with fraud and owe as much as \$5.8 million

The owners of a Japanese restaurant were charged with tax evasion and workers' compensation fraud. Simon Sungheok Hong and his wife, Katie Kyanghee Shinn owned two restaurants in Southern California and are accused of shorting their insurance carrier and the state as much as \$5.8 million, with penalties and interest. They are accused of underreporting their payroll to the State Compensation Insurance Fund and the Employment Development Department, as well as underreporting sales tax revenue to the state Board of Equalization.

11-17-09
Southern California
The Desert Sun

4. Couple who owned demolition company failed to pay over \$5.7 million in insurance premiums

Four people have been charged in a multi-million dollar workers' compensation fraud case and could face up to 91 years each in prison if convicted. Kim Soares and her husband Joseph Soares own the Democo

Corp. of Orange, a demolition company in La Habra Heights and southern California. The Soares, along with General Manager James Campbell and his son Robert Campbell, face a lengthy list of charges including conspiracy, perjury, grand theft, forgery, identity theft, misrepresenting facts to the state Compensation Insurance Fund, recording false and forged documents, making false statements to deter workers from claiming benefits and income tax fraud. The couple failed to pay over \$5.7 million in insurance premiums along with failing to secure workers' compensation insurance for their employees. They also committed another \$12 million in tax fraud.

5-18-09
Santa Ana, CA
Whittierdailynews.com

5. Janitorial company charged with fraud, failed to pay \$4.4 in workers' comp

Two executives with a janitorial service company have been arrested and charged with fraud and conspiracy after failing to pay \$4.4 million in workers' compensation premiums and \$1.9 million in unemployment and state disability taxes. Andrew Kim and Chan Hee Yang are executives of the Bell Building Maintenance Co. which misrepresented the number of employees it had from 2000 to 2005. Kim reported to the State Fund that he and his wife were the company's only employee when there were actually hundreds of janitors working publically and privately for the company throughout southern California.

4-15-09
Sherman Oaks, CA
Labusinessjournal.com

6. Owners of drywall company plead guilty, agree to pay more than \$2.1 million

The owner of Master's Touch Drywall of Marysville plead guilty to felony theft of sales tax and workers' compensation fraud, and agreed to pay more than \$2.1 million in restitution. Snohomish County Superior Court Judge Ellen Fair gave Mark D. Standley, 53, until May 5 to make nearly \$1.5 million in restitution to the Department of Revenue and nearly \$650,000 to the Department of Labor & Industries. Standley's prison sentence could be as much as 9 ½ years, and will depend on how much restitution he makes before his sentencing date.

11-5-09
Washington
EHS Today

7. Accountant on Park Ave. plead guilty to fraud involving more than \$1.7 million

Sun "Sunny" H. Park, who operated as an accountant from her home on Park Avenue, plead guilty to mail fraud and submitting a false tax return in connection with operations of several asbestos abatement companies in a case of workers' compensation fraud involving more than \$1.7 million. She faces up to 20 years in prison on mail fraud and 3 years for aiding in the preparation and presentation of a false and fraudulent tax return. In addition, as part of her plea, she agreed to pay NYSIF \$1,186,585, pay to the Zurich Group the restitution amount of \$345,904, and also pay \$238,187 to Princeton Insurance Company.

10-20-09
New York, NY
Comp News Network

8. NY man sentenced to prison time after failing to pay \$1.6 million in workers' comp premiums

A New York man has been sentenced to serve four years in prison after failing to pay \$1.6 million in workers' compensation premiums. Chong-mun Chae, of South Korea, owned an asbestos removal company but falsely claimed that he had only one employee and that it was a secretary. He avoided being caught earlier by changing the name of his company several times. He plead guilty to mail and tax fraud and will be deported after serving his time in prison.

7-28-09
Queens, NY
New York Times

9. Contracting company dodged over \$1.45 million in insurance premiums

Three men have been arrested for misclassifying the type of work their employees were performing and for falsely reporting the hourly wage of over seventy workers. The three men own NBC General Contractors Inc. which from May 2003 to May 2007 was awarded over 27 public works projects in at least five counties throughout the state. By falsely reporting, the company dodged over \$1.45 million in insurance premiums and did not pay overtime or sick leave either, allowing them to save \$3.6 million in unpaid wages to employees. California Insurance Commissioner Steve Poizner has said that when companies attempt to cut corners to save money they will end up repaying their debts in jail time.

6-1-09
California
Ifawebnews.com

10. Owner of employment agency cheated state out of more than \$1 million

The owner of a local temporary employment agency has been indicted on charges of cheating the state, hundreds of employees and an insurance company out of more than \$1 million. Tam Vuong, 34, was charged with 66 counts of violating the state's wage and hour laws and committing insurance and tax fraud. His company was also charged with 6 counts of willful failure to provide a pay stub. From 2004 to 2008, Mr. Vuong's company, Labor Solutions Inc., collected more than \$20 million by providing temporary workers to client companies, while paying-out \$11 million in wages and failing to disclose those wages paid in cash to its workers' compensation carrier, as well as to the state Department of Revenue.

9-24-09
Worcester, MA
Telegram.com

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