

ORANGE COUNTY DISTRICT ATTORNEY
PRESS RELEASE
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FOR IMMEDIATE RELEASE
Case # 12ZF0133

Date: July 26, 2013

MAN CONVICTED AND SENTENCED FOR EMBEZZLING OVER \$350,000 IN EMPLOYEE WAGES FROM PUBLIC WORKS CONTRACTS AND FILING FALSE TAX RETURNS TO HIDE THEFT

***This was the first prosecution in Orange County for fraud related to a public works contract**

SANTA ANA – A man was convicted today and sentenced to two years in state prison for embezzling over \$350,000 in employee wages from public works contracts and filing false tax returns to hide his theft. This was the first prosecution of its kind in Orange County for fraud related to a public works contract. Reza Mohammedi, 58, Tustin, pleaded guilty to a court offer to 15 felony counts of failing to file a return with the intent to evade tax, 15 felony counts of willful failure to pay tax, seven felony counts of taking and receiving a portion of a worker's wage on public work, six felony counts of recording false and forged instruments, and three felony counts of filing false tax returns. He admitted to the sentencing enhancement allegations for loss exceeding \$100,000 and property damage over \$200,000 and a prior strike conviction for criminal threats in 1999. Mohammedi is scheduled for a restitution hearing on Nov. 29, 2013, in Department C-5, Central Justice Center, Santa Ana.

Mohammedi owned and operated Southland Construction in the Counties of Orange, Los Angeles, Riverside, and San Bernardino. For the case in Orange County, he has been convicted of the following:

Between December 2008 and February 2012, Mohammedi entered into public works construction contracts with the Cities of Brea, Fullerton, Orange, Laguna Woods, County of Orange, the Saddleback Valley Unified School District, and the Orange County Transit Authority. The defendant hired mostly undocumented Hispanic workers and threatened to call authorities if they reported his scheme.

Mohammedi coached his workers on what to say if a public works inspector asked them questions regarding their wages. He systematically submitted fraudulent Certified Payroll Reports falsely stating that he was paying his workers the correct wage of \$42 to \$53 an hour for each project. Instead, the defendant paid his employees \$13 an hour. The defendant handed out payroll checks with the correct wage amount to have proof of payment. Mohammedi then required his employees to return a majority of their pay to him after they cashed their checks, either in cash, by instructing them to use their "excess" wages to pay for project materials, or supply another worker's pay in cash. Using this scheme, the defendant embezzled over \$350,000 in employee wages from his public works contracts for his own use.

Between 2008 and May 2012, Mohammedi failed to accurately report employee wages and filed two false and fraudulent reports of employee wages with the Employment Development Department (EDD). The defendant failed to provide his employees with W-2 forms until 2009, and then falsely reported their wages at the correct wage rate while paying them

significantly less. Mohammadi filed false income tax reports with the Franchise Tax Board (FTB) to hide the theft. He took tax deductions for wages he did not pay to his employees.

California Labor Law requires an employer to pay its workers correct wages for public works jobs, file payroll reports every quarter with the EDD, and pay overall employee contributions and applicable taxes to EDD.

The Orange County District Attorney's Office investigated this case in cooperation with the Center for Contract Compliance, Contractors State License Board, Department of Industrial Relations – Division of Labor Standard Enforcement, EDD, and FTB.

Deputy District Attorney Shaddi Kamiabipour of the Insurance Fraud Unit prosecuted this case.

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