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DETROIT, MICHIGAN

United States Attorney Jeffrey Collins announced that two Detroit area men who at one time headed up the fourth largest employee leasing corporation in the United States were indicted today on conspiring to defraud the United States by underreporting and underpaying in excess of $51 million in federal employment taxes to the Internal Revenue Service. Also unsealed today was a May 19, 2004, indictment charging Dennis E. Lambka, 50, Shelby Township, Michigan, and Ronald E. Bray, 50, Rochester, Michigan with conspiracy to commit bank fraud, along with bank fraud, conspiracy to commit embezzlement from an employee benefit plan, along with embezzlement from an employee benefit plan, and embezzlement from a health benefit program. The two men had been previously charged by way of an Information in November 2001, however, the court rejected the plea agreements reached in that case.

Mr. Collins was joined in this announcement by Sandi Carter, Acting Special Agent in Charge of Internal Revenue Service Criminal Investigation, Daniel D. Roberts, Special Agent in Charge of Federal Bureau of Investigation, Robert McEvoy, Assistant Special Agent in Charge of Department of Labor, and Joseph Menez, Regional Director of the Department of Labor, Employee Benefit Security Administration.

According to court records, Mr. Lambka, is the former chief executive officer and one of two shareholders of Simplified Employment Services, Inc. (SES), headquartered in Auburn Hills, Michigan. Mr. Bray, the other shareholder, was SES' former chief operating officer.

SES, at one time, claimed to be the largest privately held employment leasing corporation in the United States, claiming to have 39,000 work-site employees in at least 37 states. By the year 2000, SES, also known as a professional employer organization, or PEO, claimed to have generated nearly $1 billion in annual revenue.

The company held itself out as an expert and national leader in matters of payroll administration and filing of payroll tax returns. SES assumed all payroll tax duties and responsibilities, including the filing of quarterly employment tax returns and the remitting of the employment taxes to the IRS, according to the Information.

According to court records, from 1997 through at least June 2001, Mr. Lambka and Mr. Bray conspired to under report and underpay more than $51.7 million in federal employment taxes to the Internal Revenue Service through the related corporations of Design Administrative Resources Technologies, Inc. (DART), Employee Resource Management, Inc. (ERM), Professional Employee Team Enterprises, Inc. (PET Enterprises) and Elite Leasing, Inc. (Elite). During this time period, the disposition of funds included Mr. Bray receiving approximately $1.5 million in additional payments over his income from SES, $12.5 million in business acquisitions, and over $33 million in SES operating losses, among other payments.

Mr. Lambka and Mr. Bray knowingly signed or caused to be signed a total of 23 false Form 941, Employer's Quarterly Federal Tax Returns, where the federal employment tax liability due was purposely understated, many times by millions of dollars per quarter. The objective was to avoid alerting the IRS to the multi-million dollar underpayment of Federal employment taxes.

Mr. Lambka instructed and caused many of these fraudulent returns to be prepared and filed, only after SES was contacted in 1999 by the IRS as part of a civil inquiry. Moreover, two such fraudulent returns were filed after IRS Criminal Investigation agents executed a search warrant in April 2001 at SES' headquarters and informed Mr. Lambka that he was the subject of a criminal investigation.

Under a project known as "Dennis' Project" and/or the "Candy Project", Mr. Lambka ordered the altering and reversal of payroll data relating to numerous client companies who terminated their business relationship with SES. SES would make it appear that the client companies had been terminated on January 1st of the year, even though taxes and withholdings were collected throughout the year. SES would then reduce future payroll tax deposits to the IRS by an amount equal to the terminated employee payroll taxes and withholding previously collected.

During 1998 through June 2001, Mr. Lambka and Mr. Bray knowingly executed a scheme to defraud Michigan National Bank, now known as Standard Federal Saving & Loan. They caused more than $31 million to be deposited into an SES' checking account at Michigan National Bank. These checks, which were drawn on accounts of numerous entities related to SES, were intended to conceal a shortfall in income. Mr. Lambka and Mr. Bray were aware that funds sufficient to cover these checks were not available.

When Michigan National Bank froze the SES related accounts, in an effort to ascertain the nature and extent of the non-sufficient funds, they determined their resulting loss was more than $31 million. In addition, from January to June 2001, Mr. Lambka and Mr. Bray embezzled in moneys, securities, and other assets more than $5 million from SES' welfare benefit plan and $1 million from SES' employee benefit plan, including their Savings & Investment Plan.

Conspiring to defraud the Internal Revenue Service, to commit bank fraud, and to commit theft or embezzlement from an employee benefit plan is all in violation of Title 18 USC Section 371. If convicted, each count carries a maximum penalty of five years imprisonment and a $250,000 fine. Bank fraud is in violation of Title 18, USC, Section 1344. Embezzlement from an employee benefit plan is in violation of 18, USC, Section 664. Embezzlement from a health benefit program is in violation of Title 18, USC, Section 669. If convicted, each count carries a maximum penalty of 30 years in prison.

An indictment is only a charge and is not evidence of guilt. The defendants are entitled to a fair trial in which it will be the government's burden to prove guilt beyond a reasonable doubt.

Mr. Collins commended the hard work by agents from the Internal Revenue Service Criminal Investigation, the Federal Bureau of Investigations, and the U.S. Department of Labor for their work in this investigation.