



Department of Justice

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BUSINESSMEN INDICTED ON TAX AND IMMIGRATION FRAUD CHARGES

Three Men Operated a Business That Paid Cash Wages to Illegal Aliens

ATLANTA, GA - RHETT MAUGHON, 48, of Decatur, Georgia; RAFAEL VILLERREAL SR., 41, of Suwanee, Georgia; and MARCUS MAUGHON, 46, of Powder Springs, Georgia were arraigned today on federal charges of filing fraudulent corporate and individual tax returns that failed to state cash wages paid to themselves and their employees; and encouraging and inducing illegal aliens to reside in the United States unlawfully by employing them and paying them wages in cash. RHETT MAUGHON and MARCUS MAUGHON were each released on a \$25,000 personal recognizance bond. RAFAEL VILLERREAL SR. was detained by the United States Magistrate Judge Russell L. Vineyard after it was established that he is illegally present in the United States. The indictment in this case was returned by the grand jury on January 25, 2011.

“These defendants allegedly paid cash to themselves and to their illegal alien employees and did not report the cash wages to the IRS,” said United States Attorney Sally Quillian Yates. “By doing so, not only did the defendants violate federal tax laws, but they also violated immigration laws by encouraging and making it more possible for illegal aliens to have the financial means to continue to live illegally in the United States.”

“This case is part of ICE's ongoing effort to identify and apprehend employers who violate our nation's hiring laws by knowingly hiring illegal workers,” said Brock Nicholson, acting special agent in charge of U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI) in Atlanta. “ICE specifically targets employers and business owners because the promise of employment is what draws illegal workers across our borders. By holding the employers accountable, we diminish this incentive and encourage other businesses to follow the law.”

“The Unemployment Insurance Program provides vital assistance to individuals and families during difficult times. The Office of Inspector General takes fraud that compromises the integrity of the unemployment insurance system very seriously and, with our law enforcement partners, will continue to safeguard Department of Labor programs against such fraud,” said Richard L. Walker, Special Agent In Charge for the

Atlanta, Georgia Region of the U.S. Department of Labor's Office of Inspector General, Office of Labor Racketeering and Fraud Investigations.

According to United States Attorney Yates, the charges and other information presented in court: From early 2001 until June 2006, the defendants and two others, who are not named as defendants in the indictment, jointly owned "Atlanta Food Authority," doing business as "Atlanta Meat Company," which was in the business of supplying meat products to restaurants throughout the Southeast. Some of the company's customers paid in cash. The indictment alleges the defendants did not record all the cash received on the company's books, and that they used the cash paid by their customers to pay themselves and employees in cash.

According to the indictment, employees at Atlanta Meat Company were told when they were hired that they would receive a certain amount as "take home pay." Most employees were paid that amount partly in cash and partly by check. Some employees were paid entirely in cash. The defendants and one of the other owners then divided the remaining cash equally among themselves. The indictment charges that the defendants did not report the cash wages the company was paying to the payroll service they used to prepare the company's weekly paychecks. On behalf of the company the payroll service prepared quarterly tax filings which purported to report all wages paid to the employees and owners. However, because the payroll service was allegedly not told about the cash that was paid to the employees and owners, the quarterly filings were false and fraudulent and the Atlanta Meat Company underpaid its employee withholding taxes. In addition, the defendants allegedly failed to disclose the cash wages paid to the owners and employees to the accountant who prepared the company's corporate tax returns, therefore, the corporate returns for 2005 and 2006 were false and fraudulent. Each defendant also allegedly failed to report the cash he received as income on his personal tax returns for 2005 and 2006.

The indictment charges that employees who were paid entirely in cash were illegal aliens who lacked authorization to work legally in the United States. A number of the employees who were paid partly in cash and partly by check were also illegally present in the United States and were not authorized to work in this country.

The tax conspiracy count carries a maximum sentence of 5 years in prison and a fine of up to \$250,000. Each count charging the filing of false and fraudulent tax returns and reports carries a maximum sentence of 3 years in prison and a fine of up to \$250,000. The conspiracy count and each count charging that the defendants encouraged and induced aliens to remain in the United States unlawfully carries a maximum penalty of 10 years in prison and a fine of up to \$250,000. In determining the actual sentence, the Court will consider the United States Sentencing Guidelines, which are not binding but provide appropriate sentencing ranges for most offenders.

Members of the public are reminded that the indictment only contains charges. The defendant is presumed innocent of the charges and it will be the government's burden to prove the defendant's guilt beyond a reasonable doubt at trial.

This case is being investigated by Special Agents of the Internal Revenue Service, Immigration and Customs Enforcement (ICE/HSI), Federal Bureau of Investigation and United States Department of Labor--Office of the Inspector General.

Assistant United States Attorneys William L. McKinnon, Jr. and Steven D. Grimberg are prosecuting the case.

For further information please contact Sally Q. Yates, United States Attorney, or Charysse L. Alexander, Executive Assistant United States Attorney, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is www.justice.gov/usao/gan.