

NEWS

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FOR IMMEDIATE RELEASE
July 20, 2009

Owner of Defunct Payroll Services Company Sentenced to
18 Months in Prison for Embezzlement of \$1.8 Million in
FICA Taxes

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TRENTON – The owner of a defunct Stafford Township payroll services company was sentenced to 18 months in federal prison today for embezzling \$1.8 million in FICA taxes that client companies owed to the IRS, Acting U.S. Attorney Ralph J. Marra, Jr. announced.

Judge Wolfson also ordered Robert Stockton, 49, of Stafford Township, to serve three years of supervised release upon the completion of his prison term. The issue of restitution will be decided by Judge Wolfson at a future hearing. Judge Wolfson continued the defendant's release on a \$50,000 bond pending his surrender to authorities with the U.S. Bureau of Prison on a date to be determined by prison officials.

Stockton pleaded guilty before Judge Wolfson on Nov 20, 2008, to a one-count Information charging him with theft of government property. At his plea hearing, Stockton stated that in 1985 he established a business called The Business Office ("TBO") to provide payroll services to client businesses. In August 2003, Stockton reached an agreement with the principals of Online Business Services ("OBS") based in San Antonio, Texas, to sell TBO to OBS. OBS, which was owned and operated by Joshua Schechter, was also in the payroll services business. The agreement was never finalized and ultimately, TBO filed for bankruptcy.

From 2003 through 2005, TBO and OBS contracted with business clients to process the client's payroll each pay period, which included paying all federal and state payroll taxes accurately and consistently; preparation and filing of quarterly payroll tax returns; and preparation all IRS forms W-2, W-3, and 1099, according to Stockton.

In December 2003, Stockton, along with Schechter and others, intentionally filed and cause to be filed numerous false IRS Form 941s which indicated that the victim clients were responsible for paying only a fraction of the tax actually due, Stockton admitted. Stockton admitted that he and other OBS employees and principals did not forward to the IRS the actual amount of payroll tax for each victim as contractually required and instead kept the money in OBS accounts to be used for illegal purposes.

Stockton agreed that the total amount of money improperly withheld by him from payment to the IRS was \$1.8 million.

Schechter pleaded guilty before Judge Wolfson on Oct. 31, 2008, to two counts of filing a false federal tax return. At his plea hearing, Schechter admitted the total amount of money improperly withheld from payment to the IRS from client accounts was at least \$2.65 million. Schechter is awaiting sentencing by Judge Wolfson.

In determining the actual sentences, Judge Wolfson consulted the advisory U.S. Sentencing Guidelines, which provide appropriate sentencing ranges that take into account the severity and characteristics of the offense, the defendant's criminal history, if any, and other factors. The judge, however, is not bound by those guidelines in determining a sentence.

Parole has been abolished in the federal system. Defendants who are given custodial terms must serve nearly all that time.

Marra credited Special Agents of the IRS Criminal Investigation, under the direction of Acting Special Agent in Charge Julio La Rosa, and Treasury Inspector General for Tax Administration, Washington D.C., Field Division, under the direction of Special Agent in Charge Martin Kenney, with investigation of the case.

The Government is represented by Assistant U.S. Attorney Peter N. Katz, of the U.S. Attorney's Criminal Division in Trenton.

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Defense Attorney: Steven D. Cundra, Esq. Washington, DC