

Southern California staffing firm execs charged with tax and workers' comp fraud, defendants claim insurer 'double-dipping'

Daily News

August 24 2018

The Orange County District Attorney's Office charged three executives from two Southern California staffing companies with tax and workers' compensation fraud for misrepresenting the employee status of 47 injured workers. However, the defendants claim they are unjustly accused.

The charges — filed Aug. 16 and [announced this week](#) — allege Luis Perez owned and operated several temporary employee staffing companies including BaronHR LLC. Veronica Lake worked for Perez as his controller and Scott Smith as the director of safety. In September 2013, Smith formed Titan Personnel Inc. and acted as its CEO, CFO, secretary and sole director.

The charges claim Perez continued to operate BaronHR despite losing its workers' compensation insurance on July 1, 2013, and contracted with outside companies to provide temporary employees.

The defendants are accused of conspiring to fraudulently report 47 injured employees of BaronHR as employees of Titan to workers' comp insurance provider American International Group Inc. (AIG) between December 2013 and September 2014, to avoid liability for its employees who were injured at work and to hide BaronHR's failure to obtain workers' comp insurance. As a

result, AIG became liable for approximately \$393,000 worth of expenses for claims of individuals not covered by their insurance policy.

The defendants are also charged with conspiring to commit tax fraud by failing to report, withhold and pay employment and personal income tax for 36 BaronHR employees — including individuals reported to AIG as Titan Personnel employees.

In a separate situation, Perez was previously arrested in October 2006 on suspicion of committing almost \$39.3 million in workers' compensation fraud at Checkmate Staffing Inc., but those [charges were dropped](#) in 2011.

However, BaronHR accuses AIG of “double dipping” by using its influence with the “Insurance Fraud” division or the district attorney's office to achieve through criminal proceedings what it could not achieve in its efforts in civil courts. It has filed a civil action against AIG for bad-faith insurance practices.

BaronHR in a [press release](#) said the current issues were resolved within a formal audit, and also addressed in civil court proceedings. “At no time has BaronHR failed to prevail when the exact same subject matter was brought in civil court,” the release said. “In fact, AIG has been bound to its coverage obligations at all relevant times by civil courts.”

“Our business partners, including banks, professional employer organizations and insurance companies are supportive of our approach in dealing with these unsubstantiated allegations,” the company said. “We are confident that the matter will ultimately resolve in our favor.”

Arrest is set for Sept. 25. The defendants face a maximum sentence of 16 years and eight months in state prison.